Nation's Business

Young tigers of business

Congress at the crossroads

Test tube for relief reform

CHARLES J. ZIMMERMAN
Connecticut Mutual Insurance

ROGER SONNABEND
Hotel Corp. of America

ROBERT W. SARNOFF
RCA

700 executives' forecast: WHEN BUSINESS WILL TURN UP

JOHN W. BARRIGER
MKT Railroad

WILLIAM F. LUCAS
Brown-Forman Distillers Corp.

RUSSELL DE YOUNG
Goodyear Tire & Rubber Co.

PAGE 44

Announcing the end of the company car.

Used to be, you could spot "the company car" a mile away. It was always the most PRACTICAL car within forty blocks. It fairly reeked with ECONOMY and COMMON SENSE. Obviously, saving money was the whole point.

Then a few people wised up. All of a sudden, looking good on paper wasn't good enough.

Enter, the 1970 Pontiac Catalina. From now on, *this* is the way company cars are going to be. Handsomely styled. Impressively powered. And big enough to make half a dozen full-sized businessmen comfortable.

Inside, there's expanded Morrokide and fabric upholstery, with rich-looking simulated walnut panels on the dashboard. The instrument panel is thickly padded, and all the controls are placed right in front of the driver. Even the engine makes good sense. It's a 350-cubic-inch, 255-hp, regular-fuel V-8 . . . strong enough to keep things running smoothly, without gobbling a lot of gas.

But here's the real clincher. The 1970 Catalina costs just a few dollars more (and in some cases *no* dollars more) than less handsomely styled, less carefully appointed, less impressively powered, and less comfortably sized cars.

Like we said . . . the end of the company car. Pontiac Catalina for 1970. This is the way your company cars are going to be. Sooner or later.

We take the fun of driving seriously.

Pontiac's new Catalina

GM

Nation's Business

Cover photos: Leo Choplin, Ivan Massar—Black Star; Karsh—Ottawa; Herb Weitman, Jim Brown, Frank Aleksandrowicz—Black Star

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MEMO FROM THE EDITOR

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Right now the economy has even the economists mixed up. You can get a lot of different answers to such questions as:

Do we have a slowdown?

Or a downturn?

Are the Administration's anti-inflation efforts working?

Are they too much or not enough?

When will interest rates come down?

Will things get better?

Or worse?

We obviously don't have all the answers. But we've been searching them out and have some of the best opinions available in this issue.

First we have your own opinions—the views of our businessmen readers. As you probably know, Nation's Business for more than 10 years has been polling some 2,000 of you every quarter for your opinions on the business outlook, inflation and the like.

The results over the years have been extremely accurate, and we're proud of the record.

This time we had more than 700 replies, which the experts tell me is unusually high. (Another business magazine recently announced, with some fanfare, that it's setting up a survey half that size.)

We think the opinions of businessmen are tremendously important because you have the power to make decisions that make things happen in our economy. There is, for example, considerable difference among economists on what will happen to plant and equipment spending. You businessmen ultimately will decide what actually happens.

Without scooping ourselves on the full results of the survey, reported on page 44, we think it's interesting that hundreds of executives did not challenge one of our questions that assumed that we're in a "downturn." On second thought we decided among ourselves that maybe "downturn" is perhaps too strong. The economy actually hasn't turned down. Instead the rate of growth has at most slowed down. Whatever the term for what's happened, most of you feel that it's connected with the inflation curbs and that they can eventually be eased.

• • •

Yet some of the nagging questions remain, especially whether the inflation brakes are actually taking hold.

For an expert analysis we turned to Carl Madden, chief economist of the Chamber of Commerce of the United States.

In the article beginning on page 50, Dr. Madden assesses the indicators and trends in layman's language and forecasts that the Administration will soon face crucial decisions on the inflation problem.

White House officials agree, in private talks, that inflation is the President's biggest headache, with the obvious exception of Viet Nam.

• • •

We have something to say on the subject in our editorial on page 88.

• • •

Nation's Business editors and National Chamber staff members have also been listening to other opinions on inflation and on other national issues.

In recent weeks our editors have met with business and professional leaders in cities from the West Coast to New York. We've been having these seminars, as we call them, around the country for about a year. We do a little talking, but a lot more listening—to get your questions and comments. In this way we try to keep in tune with the nation's businessmen as well as with official Washington.

We've also been participating in the series of Urban Action Forums which are now being held in 15 cities under sponsorship of the National Chamber and local

MEMO FROM THE EDITOR *continued*

chambers. These regional meetings are devoted to discussing the problems that plague our cities, and we have found inflation high among these problems.

As a part of the Forums, business and community leaders are being asked to express their opinion of the Administration's programs to meet urban problems. They're also being asked how they feel the efforts against inflation are faring. After the series of meetings ends on Oct. 10, the results of this survey will be presented to President Nixon, his Urban Affairs Council and other government officials.

• • •

A couple of months ago in this column we mentioned a new project to increase public understanding of inflation and economic stability, spearheaded by the National Chamber Foundation, the Advertising Council and the Joint Council on Economic Education. You may already have seen or heard some of the Ad Council's promotions. Now the Joint Council on Economic Education has produced a booklet called "Inflation Can Be Stopped. Steps for a Balanced Economy." It's a sort of primer on economic stability for use in schools and for citizens not familiar with ins and outs of economics.

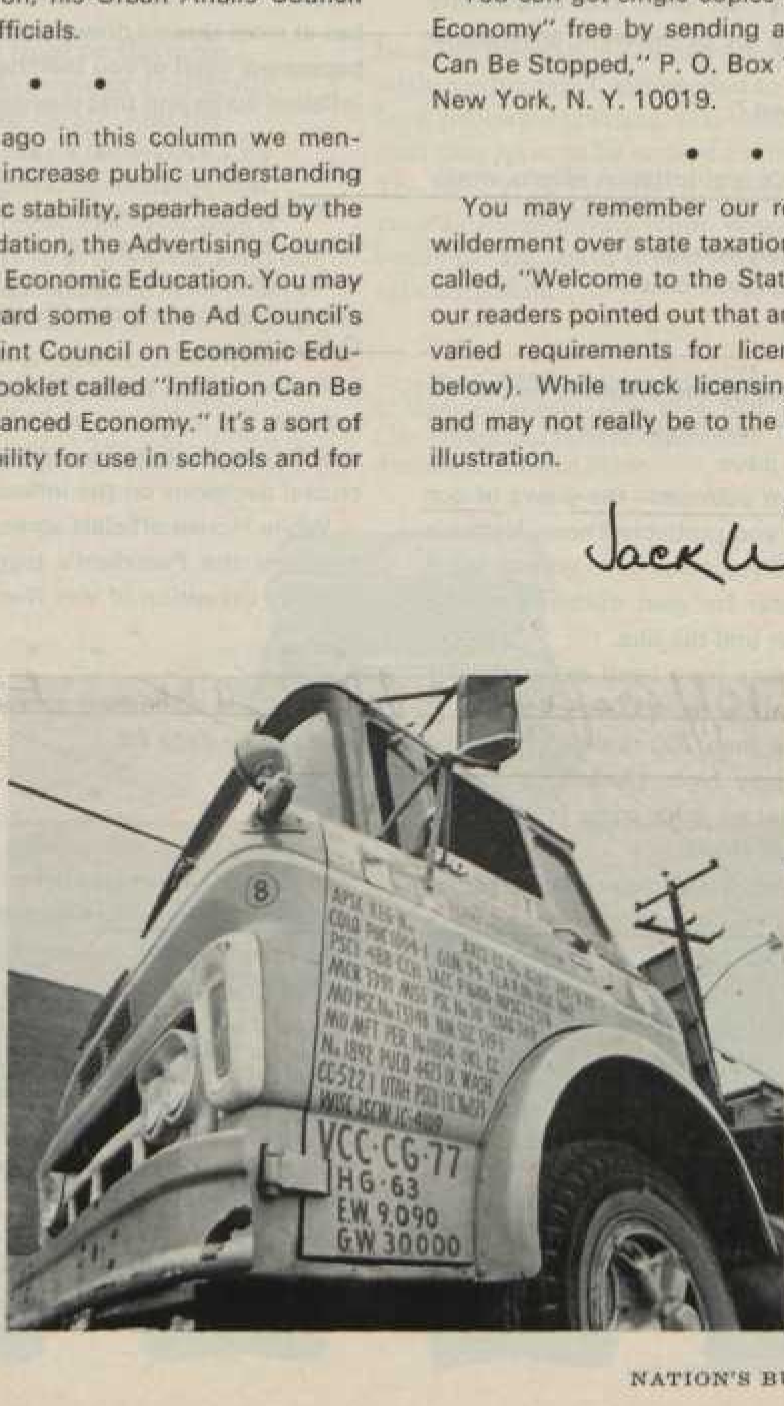
"Crisis in American life seems to bring about the necessary action programs," says M. L. Frankel, Joint Council president. "Consumers feeling the bite of inflation which affects us all. Our campus unrest. Both problems stem from fundamental questions on how our economy is structured and how it functions. They have both focused our attention on the changes which are necessary to improve the teaching of economics."

You can get single copies of "Steps for a Balanced Economy" free by sending a post card to: "Inflation Can Be Stopped," P. O. Box 1900, Radio City Station, New York, N. Y. 10019.

• • •

You may remember our recent article on the bewilderment over state taxation of interstate companies called, "Welcome to the State of Confusion." One of our readers pointed out that an excellent example is the varied requirements for licensing of trucks (picture below). While truck licensing is somewhat different and may not really be to the point, it is an interesting illustration.

Jack Wooldridge



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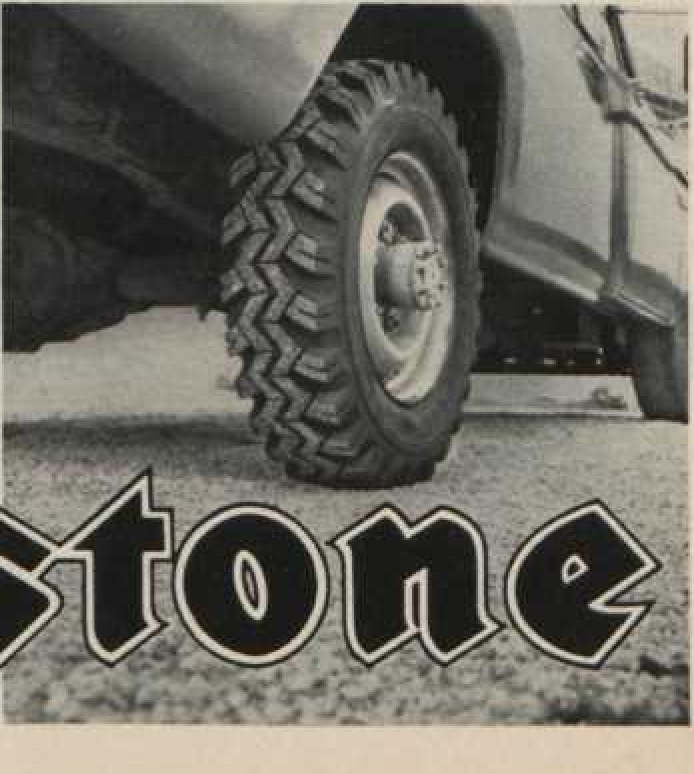

Firestone

LETTERS

FARM PRODUCTION COMES A CROPPER

• "Too Much of a Good Thing" [September] was the most objective and accurate summation of the country's farm problem ever written by a nonfarm publication. You are to be commended for telling it like it is.

The American farmer is the most efficient worker in the nation; so efficient that he is eliminating himself and many of his rural neighbors. Today's farmers and ranchers are not the proverbial "hayseeds" of yesterday and it is time "city slickers" understood this as well as the rural economic problem, which is just as critical as the urban problem we face.

LARRY WHITING
Editor
The Dakota Farmer
Aberdeen, S. Dak.

Young Goldwater scores

• Barry Goldwater Jr. hit the nail on the head when he said our failure with the youth has been lack of discipline and lack of direction [August]. Without discipline, we have no yardstick to measure good and bad, progress or decline, a healthy citizen or a sickly coward. Without direction we have no need for discipline, as one is no good without the other. Direction is the forward movement of our disciplined minds and bodies to create success, whether it be physical, financial or personal and family.

It is not possible to determine, or even guess why, the authorities have permitted destruction of property, defeat of principles, ignominy in the educational institutions, and desecration of all that the "over 30's" respected and were taught to hold dear and defend against outside (foreign) agitators.

This college rioting has been close to anarchy. The students should be compelled to pay for this wantonness by working at hard labor on weekends, using that money to repay the damages. Those few students who spent time in jail were rudely awakened to the realization of the world we live in . . . and they were shocked into silence!

BOBBE VAN VALKENBURG
New York, N. Y.

Corruption in the church?

• The opening sentence in "The Answer to Corruption" [September] by the Rev. Mr. Graham would make more sense reading "Corruption in a democracy usually is most invisible in its established church or the church as an establishment" rather than "most visible in its government."

As a businessman and vestryman I get sick to my stomach when these intellectually masochistic clergy hop around talking about the "corrupt-

ness" of the business world or government and the community at large.

There is more genuine, honest open concern for the community, its people and its problems in most corporate offices and government agencies than will be found in the executive offices of the various establishment churches or "communions."

ISADORE J. YESSEL
Consultant
Cleveland, Ohio

• It is becoming clearer that the future of business in this country rests on the integrity of our people and their appreciation of spiritual values.

By publishing this article you have made a significant contribution to our nation and its future well-being.

HAROLD M. KARLS
President
Second National Bank of Saginaw
Saginaw, Mich.

• "The Answer to Corruption" by Rev. Billy Graham is the greatest. Your magazine is to be commended for publishing this in the business climate.

ROBERTA GABBARD
Ackerman Associates, Inc.
Oklahoma City, Okla.

• I'd like to compliment you on printing the article by Billy Graham. This is a message all America needs.

BOB D. BERRY
Executive Director
Oklahoma State Dental Association
Oklahoma City, Okla.

Waste control

• Congratulations on Mr. Bostwick's interesting article, "The Industrial Park: What It Is—and Isn't" [September]. It provides good coverage of this timely topic.

Because waste disposal is our special field, and because we have worked with industrial park development, we wish Mr. Bostwick had had more to say about the very significant aspect of waste control. From both practical and economic viewpoints, waste water is often a controlling factor in the acceptability of a possible client to the park, and of a park to the client. Competent counsel should be obtained by any individual park developer.

C. FRED GURNHAM
President
Gurnham, Brimer, and Associates, Inc.
Chicago, Ill.

Educator challenged

• I have just read "Campus Outlook: More Turmoil" [August] and the comment made by President Rolf Weil of Roosevelt University, a for-

LETTERS *continued*

mer head of the business school there, that "universities will have to live with this militancy the same way business has had to live with unions."

This certainly shows irresponsibility. It is the same principle as when once the union has control, it will make great demands and threaten to cripple the employer if it doesn't have its way.

We in the reinsurance business have suffered enough, and if the Administration does not take control, it will find it has no insurance at all.

R. T. STARNES JR.
Resident Vice President
Willcox, Barringer & Co.
Atlanta, Ga.

For the record

• Your article, "Business Is Solving a City's Problems," [July] states that the consolidated [Jacksonville, Fla., area] government found it necessary to charge a special fee for garbage collection in order to raise revenue for the government because of new tax ceilings which reduced income.

I'm sure that Mayor Hans Tanzler meant that a garbage collection fee was considered but was not adopted by the City Council. Residents of our city still receive garbage collection and pickup without cost.

There was an increase of approximately 30 per cent in the small quarterly water rates and a monthly sewer charge was inaugurated to finance a $90 million water-sewer revenue bond issue which will rebuild 133 miles of antiquated sewers, extend new water and sewer service to certain areas, eliminate 72 outfalls pouring raw sewage directly into the St. Johns River, and make possible acquisition of private utilities as a first step toward developing a uniform water and sewer system throughout the city's 832 square miles.

For the record, core city dwellers never have paid garbage charges, and the new sewer charges that are being levied are comparable to or lower than charges county residents have been paying for decades. The average minimum monthly water charge per home is $3 and the sewer charge is $3.50.

RICHARD A. MARTIN
Chief
Public Relations Division
Consolidated City of Jacksonville
Jacksonville, Fla.

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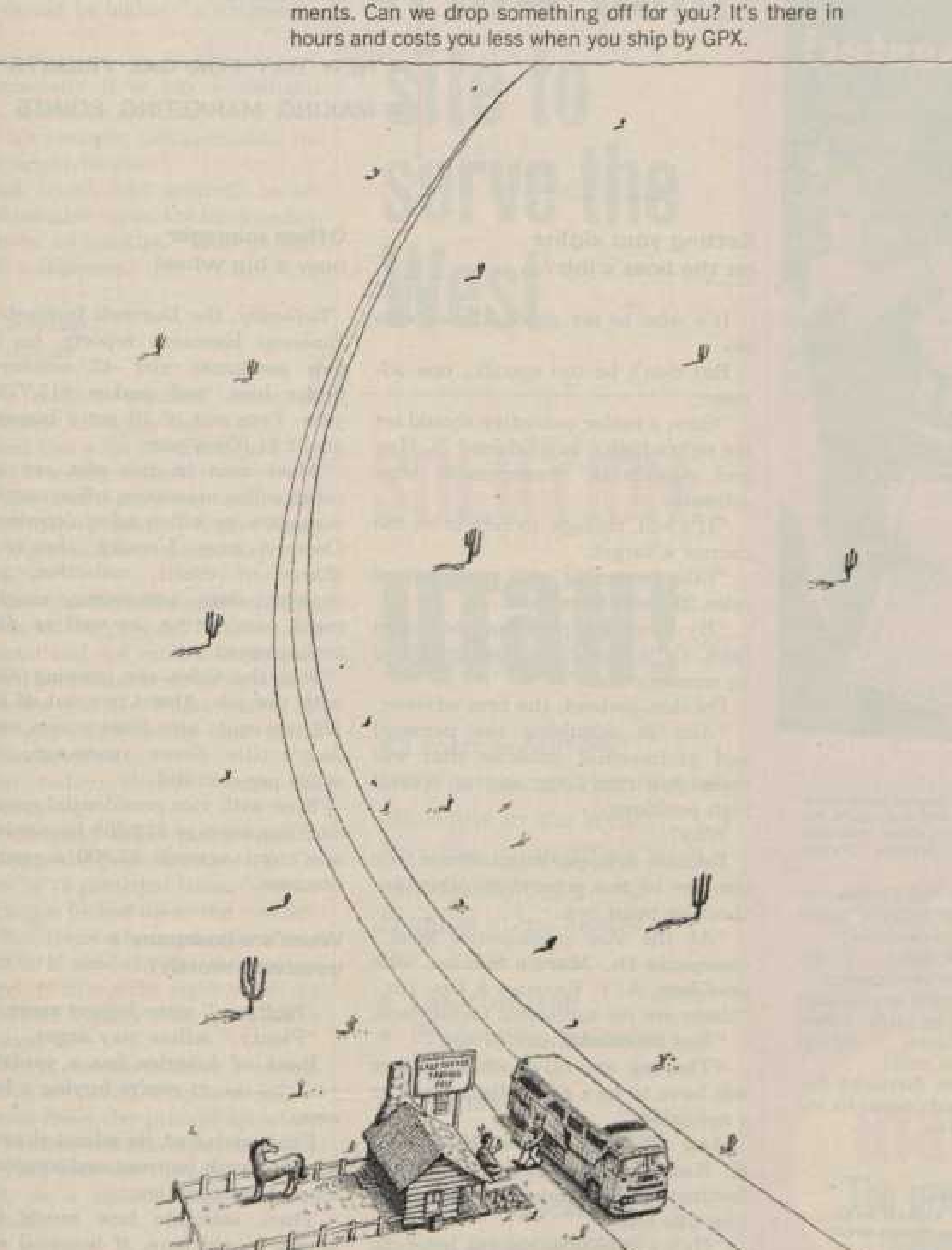

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EXECUTIVE TRENDS | WATCH THAT OUTLOOK!

- NEW DAY FOR GAL FRIDAYS
- MAKING MARKETING POINTS

Setting your sights on the boss's job?

It's wise to set goals, the experts say.

But don't be too specific, one advises.

"Sure, a junior executive should set his sights high," say Edward N. Hay and Associates, management consultants.

"It's bad, though, to zero in on too narrow a target.

"Like becoming vice president of sales 20 years from now.

"By then, the post may not even exist. Or it may have been snatched by someone else."

Do this, instead, the firm advises:

"Aim at acquiring the personal and professional qualities that will make you ready for any of several high positions."

Why?

Because in upper management, it's the age of the generalist, other authorities point out.

"At the vice presidential level," comments Dr. Marvin Schiller, vice president, A. T. Kearney & Co., Inc., "there are no successful technicians.

"Just successful executives.

"The top executive of the future will have to be a generalist as well as a specialist."

And what's a generalist? Charles K. Rudman, president of The Klein Institute for Aptitude Testing, defines him like this:

"He's a man who has the administrative ability to handle any challenge, emergency—or opportunity.

"As businesses reach into many fields—often unrelated—the demand for the free-thinking, broad-gauged executive will mount."

The man of the hour, says Mr. Rudman, is the jack-of-all-trades.

Office manager now a big wheel

Typically, the Dartnell Institute of Business Research reports, he has two assistants and 42 employees under him, and makes $15,775 a year. Four out of 10 get a bonus of about $1,000 a year.

"Most men in this slot are still called office managers, office services managers or office administrators," Dartnell says. Usually, they're in charge of credit, collection, purchasing, data processing, employment, accounting, as well as office management.

"But the titles are growing along with the job. About one out of four (22 per cent) now have a vice president's title. Seven years ago, only seven per cent did.

"Men with vice presidential responsibilities average $22,800 base salary; one third average $2,800 a year in bonuses."

What's a company's goodwill worth?

"Nothing," some buyers snort.

"Plenty," sellers may argue.

Bank of America has a yardstick you can use, if you're buying a business.

First, arrive at its adjusted tangible net worth (current and long-term assets less liabilities).

Then, estimate how much that money would earn, if invested elsewhere. Add to it a reasonable salary for the owner-proprietor.

Whatever profit the company makes over and above that sum is its extra earning power. Multiply it by three, and you have the company's intangible value, or goodwill, the bank says.

At least, that's right for a moder-

ately well-established firm. "If it's an old, well-established firm, the multiplier should be higher," a spokesman says.

"Say five, or even higher.

"Especially if it has a valuable name, patent or location.

"If it's younger, but profitable, the factor might be one."

Final price? Add goodwill to adjusted tangible value, the bank recommends in its booklet, "How to Buy or Sell a Business."

Take a letter, Miss Jones

Two million talented American gals answer cries like that daily.

Sound like a lot of secretaries?

Well, it's only a start.

In the next eight years we'll need 500,000 more, President Walter Finke of Dictaphone Corp. points out.

Why?

Because in the same span of time, business will employ 1.7 million more managers and 4.6 million more professional people. And all write letters.

Chances are, Mr. Finke warns, industry won't find nearly that many able Gal Fridays.

Even today, they're scarce, he points out.

His company offers one service to help bridge the gap—Dictation-to-Go centers in 18 principal cities.

Typing is picked up at the customer's office, transcribed and returned in 24 hours, if needed. The centers are manned, if that's the right word, by experienced typists who work when they want to.

Makes it possible to have a 'round-the-clock service, Dictaphone finds.

It also frees the private secretary from routine chores, the company adds. And lets her operate like she should, as a skilled administrative assistant.

Here's a—puff! puff!—warning for joggers

Nearly every city and town has 'em.

Listen early in the morning.

Chances are you'll hear the slap, slap of their tennis shoes on the pave-

EXECUTIVE TRENDS

continued

ment as they wheeze down the street. They're worshipers of that new health god: jogging.

But it may be an idol with feet of clay, warns Dr. Harry J. Johnson, chairman of the medical board of the Life Extension Institute.

"If a man's fit, and sticks with it, jogging will probably be good for him," Dr. Johnson says. "But others who are older and flabbier had better watch out. Jogging can cause heel bruises, an aching back or even a heart attack and death."

There's some evidence already, he feels, of fatalities due to jogging. "And in my opinion," he adds, "there are many more deaths which do not show on the record. They're simply lumped under cardiac attacks."

He polled 30 cardiac specialists in New York City. All but one, he reports, turned thumbs down on jogging for "sedentary men over 50."

But there's a substitute he recommends highly: Walking briskly.

When you take a look at marketing

Ask yourself these questions:

In the past year have our products' share of the market gained—or slipped?

Are the markets for our basic products expanding—or shrinking?

Have we identified, described and measured the major segments of our market?

Are our customers older or younger than those of our direct competitors?

Are our salesmen welcome callers with something worthwhile to talk about?

Have we set up realistic targets for each salesman?

Do we have a good yardstick to measure what we should spend for advertising, promotion, marketing research?

Are our products threatened by recent changes in users' wants or needs?

These are a few of the 110 points you should cover when you try to rate your own marketing efforts, Drake Sheahan/Stewart Dougall, marketing consultants, say.

All are in their free "Checklist Guide to Profitable Marketing."

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white house mood ☆☆☆

BY PETER LISAGOR

MANY THINGS TO MANY MEN

The Presidency, it has been remarked, tends to "stretch" its occupants, to enlarge if not ennoble them. It imposes upon them many roles, equally vital to their success. Not only must they serve as Commander-in-Chief, but in the classifications of historian Thomas A. Bailey, they also must function as Politician-in-Chief, as Teacher-in-Chief, Preacher-in-Chief, Administrator-in-Chief and, of course, as Leader-in-Chief ("The first duty of a leader is to lead"—Theodore Roosevelt).

They must also be a kind of Patient-in-Chief for the army of unlicensed psychiatrists who judge them every waking hour and deliver those judgments via newsprint or the television screen with a cavalier disregard for consistency. President Nixon, for example, can be portrayed as a secret liberal or an undisguised conservative in any given week by the same observer, who is perfectly convinced that he has solid reasons for his diametrically opposed verdicts.

Mr. Nixon simply refuses to adhere to fixed philosophical moorings. As a so-called problem-solver, he prefers to jettison any ideological baggage that once burdened him, and this bedevils both his critics and admirers. It disarms and confuses his political opponents, who want to know where the rumble will be and on what terms it will be fought. They thrive on confrontation, which Mr. Nixon has ruled out this season as unbecoming a man whose victory margin last November was razor-thin and who needs to build a modest consensus for his programs.

The President also has to set a national mood congenial to his mode of operations. It can be crucial, as historian Bailey has noted: "It tends to infect the country, for better or worse. Mediocrity, dishonesty, complacency, provincialism, drift, uplift, reformism—all these leave their mark. The Presidential example even plays its role in smaller things: Kennedy eschews hats, and the sales of hats fall off; Kennedy uses a rocking chair for his injured back, and the sales of rocking chairs boom."

George Washington's gravity and sobriety, Mr. Bailey recounts, "befitted the touch-and-go task of launching the daring new experiment in republicanism on an even keel." Herbert Hoover's gloom and pessimism may have aggravated the public's outlook on the Depression, Mr. Bailey feels, and Franklin D. Roosevelt's relentless optimism helped to bridge the lean years but led him to repose more confidence in Stalin's Russia than events justified. Lincoln, FDR and JFK often were spared from frustrations and anxiety by a self-mocking humor, but Mr. Bailey warns that humor in the Presidency can be risky and even self-defeating if used too much. "The American people want wise men, not 'wise guys,' in the White House," he writes.

President Nixon has managed to defy the pigeonholers. He has shown himself to be far more relaxed in the White House than Nixon-watchers imagined he could be; the general impression had been that a man of his up-tight tendencies would feel the weight of office, grow more solemn, and comport himself with all the buoyancy of a prisoner in solitary. But it hasn't happened like that.

Thus far, he appears to be enjoying the Presidency thoroughly, and he has striven to develop a lighter side, revealing an unsuspected penchant for a quip or barb. His humor has a studied quality and lacks the spontaneity of an inherently puckish nature, but it serves the purpose of letting the air out of tense situations.

And he has shown a surprising enthusiasm for escap-

Contributing columnist Peter Lisagor is White House correspondent for The Chicago Daily News.

ing from the confining life in the White House itself.

This goes beyond an occasional sortie to the ball park to watch a baseball or football game. Mr. Nixon has established homes in Florida and California suitable for winter and summer White Houses, respectively, and on weekends he makes frequent use of Camp David, the Catoctin Hills retreat in nearby Maryland named after his son-in-law, David Eisenhower. And as has been noted, on the basis of his first months in office, it is fair to suppose he may set a Presidential record for travel abroad.

white house mood

☆☆☆

The life style of the Administration was expected to be subdued and modest, for the grocer's son who grew up to be President was a self-confessed introvert who shrank from all public displays of ostentatious living. He didn't seem to mind the disclosures that he liked to smear cottage cheese with catsup or that the family's favorite dinner was meat loaf. As President, however, he has learned to enjoy the perquisites of office and at least two parties he has thrown exceeded the gaudiest designs of JFK's "Camelot."

The birthday dinner-dance for composer Duke Ellington was a noisy bash worthy of the most gregarious of hosts, and the state dinner for the astronauts in Los Angeles, with its glittering guest list of movie stars, diplomats and Washington officialdom, was hardly the act of a shrinking violet.

The Nixon-watchers have been surprised on other fronts. The President, a man who supposedly shied from novel ideas and new approaches for fear of making a mistake, has moved boldly to overhaul the nation's welfare system, and even his liberal detractors have hailed the innovative proposals as a courageous departure from the conservative, gradualist instincts he has followed in the past. Not much attention was paid to his message on population control, but it too was regarded as something of a pioneer posture on a subject that was an unmentionable only a few short years ago.

One of the President's old associates was asked recently to assess him as "a leader." It was a somewhat loaded question inasmuch as the inquirer noted that Mr. Nixon doesn't seem to "lean in any discernible direction," and that strong leaders are guided by fixed stars. The associate first observed that the terms "conservative" and "liberal" are no longer applicable in a society that presents "a strange profile of attitudes, passions and interests." Mr. Nixon's approach, predictably, is "very pragmatic" and cannot be labeled in the traditional sense, he added.

He went on to explain that the President was a "consummate tactician" who understands the real pressure points in America. Understanding the public preoccupation with law and order, he has appointed men to the Supreme Court who symbolize social rectitude and a decent regard for legal restraints.

To the associate, Mr. Nixon would rather emulate Franklin D. Roosevelt than any other President. "He wants to plow new ground and to accomplish a number of 'firsts,' in the FDR manner," he remarked. Some good orthodox Republicans, whose memories go back to New Deal days, are likely to turn slightly green at the thought of the President admiring Roosevelt.

Mr. Nixon's abhorrence of mistakes, especially the kind that haunted his past and made him slightly skittish in the presence of reporters free to ask him uninhibited questions, has not been totally overcome. He recently appointed as a deputy counsel in the White House a newsman who had made his mark as an investigator and who won a fair number of journalistic awards for his published disclosures. Explaining the function he had in mind for the ex-reporter, the President said he visualized him as "an inspector-general" inside the Administration. He would, in effect, investigate developing situations which could produce scandals or evidence of impropriety. In a word, his task was to prevent the kind of mistakes that get Administrations in trouble.

So a few of the hangups of the past remain. And while few people remember it, Mr. Nixon was no easier to categorize or classify or pigeonhole as a political figure when he was Vice President during the Eisenhower years than he is now. He was, in those earlier days, somewhat more liberal on such issues as foreign aid and foreign policy in general than most members of the Eisenhower Cabinet, and he was somewhat less conservative than the same men on many domestic issues.

The labels were about as inexact then as now, but at no point could Mr. Nixon be confidently pinioned in any ideological chart. His acute political antennae usually guided him, then as now, and he never allowed himself to be caught in a philosophical straitjacket.

It may detract from the quality of leadership, but it leaves him plenty of running room and keeps his foes loose and lively.

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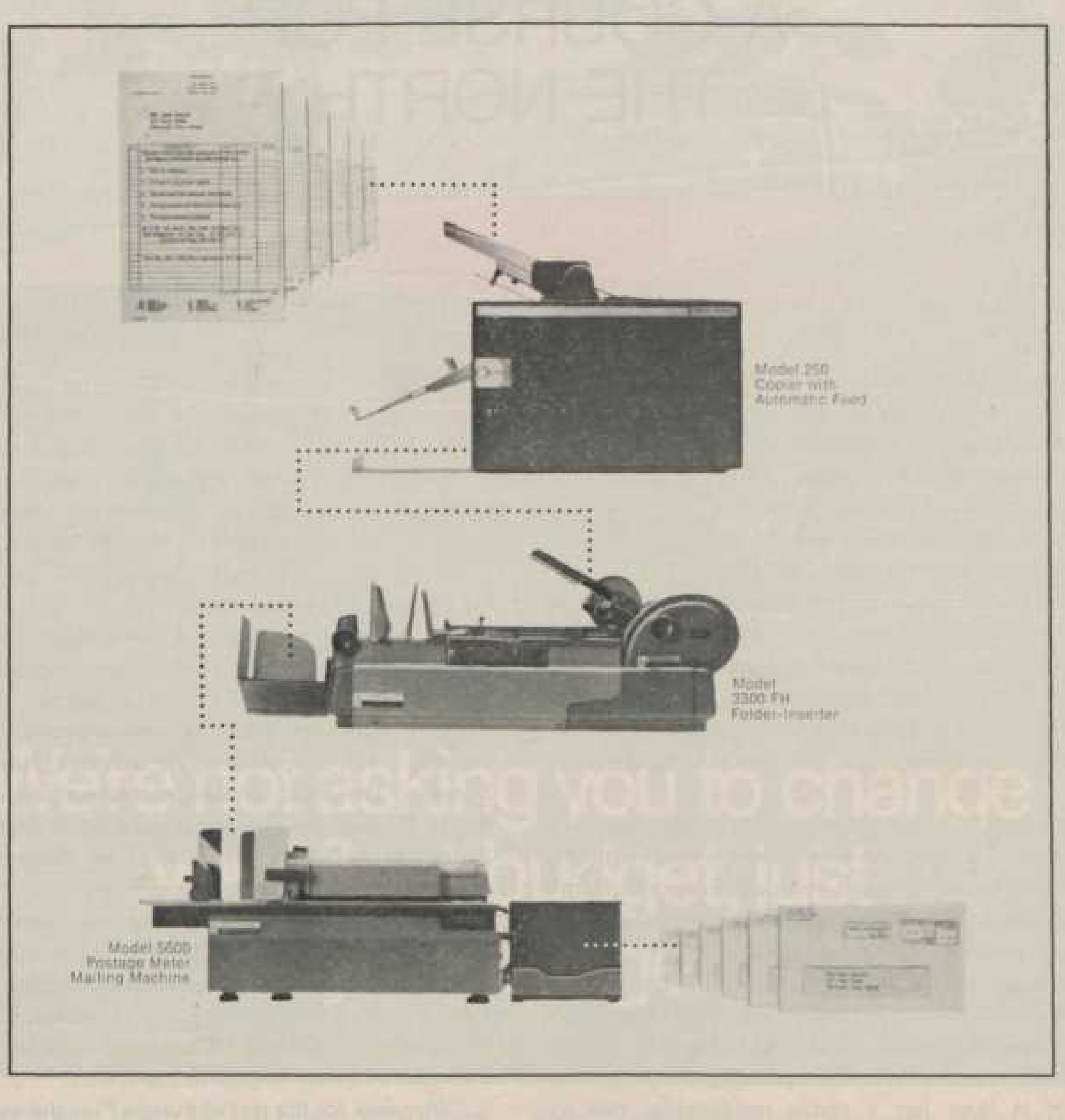

You're only getting a fraction of the benefit of a ledger card billing system if you start out making copies one by one. Look here. You can put a stack of ledger cards in this copier. It feeds itself (the only desk top electrostatic copier that does), makes copies, cuts them to size, separates copies from originals and stacks them both in order, all automatically.

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CHARTING A COURSE FOR THE NORTH

state of the nation

BY FELIX MORLEY

Devaluation of the franc has been a setback for the over-all unification of Europe. But, paradoxically, it has improved the chances for what is known as the Nordic Union.

In mid-July, a month before the Pompidou government reduced the value of French currency, the foundations of a Scandinavian Common Market were laid in Copenhagen. Delegates from the foreign ministries of Denmark, Finland, Norway and Sweden then agreed on the terms of a draft treaty which would establish a customs union between these four countries by January, 1972.

There was no need for haste, it was said, because in another two years the Scandinavian nations might all be members of the larger European Economic Community, composed of France, Italy, West Germany, Belgium, Holland and Luxembourg.

But French devaluation has blocked the progress of this original Common Market. Elimination of customs barriers has little meaning unless, as in our own federal union, the currency of the cooperating States is unified, or at least has a stable relationship, one to another.

If the U. S. dollar were suddenly devalued to 90 cents in Pennsylvania alone, the manufacturers of that State would have a temporary pricing advantage in interstate commerce. Similarly the recent French devaluation, of 12.5 per cent, has priced French exports low and thereby caused irritation and complications within the EEC. The Scandinavian people are already closely tied together, by race, geography, history and commerce. They have been united politically in the past and excepting Finland, where Swedish is widely spoken, have only dialectal differences in language.

They have a virtually uniform legal system and similar extensive social welfare systems. A medical degree in one entitles a doctor to practice in any of the other countries. SAS, the famous Scandinavian Air Service, is run cooperatively by Denmark, Norway and Sweden. The royal families of these three constitutional monarchies are closely akin. Even the five Scandinavian flags are identical in design, though different in color combinations.

A visit to all these Nordic countries, including Iceland, convinces me that their federation would be a natural and generally beneficial development. Since 1953 that goal has been quietly forwarded by the influential Nordic Council. Its attainment will be hastened if the EEC is now forced to mark time.

"Why wait for the rest of Europe?" is the expression one hears from business leaders in every Scandinavian city. "Why not go ahead, in a small way, on our own?"

There are arguments pro and con. Favoring Nordic federation, in addition to factors mentioned, is the slogan of our own formative period: "In union is strength." Taken separately all of these Northern countries are small, exposed and militarily weak. Sweden, easily the strongest, has fewer than eight million inhabitants and if one adds all the people of Denmark, Finland, Norway and Iceland the total population is still only about 21 million, or approximately

---

Contributing columnist Felix Morley is a Pulitzer Prize-winning former newspaper editor and college president.

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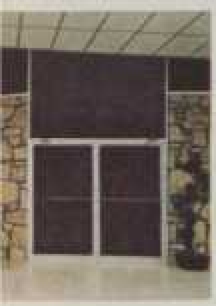

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call in the problem solvers

that of Canada. This explains why, during World War II, Denmark and Norway quickly fell prey to Germany, and Finland to Russia. Yet, under heavy pressures, Sweden was able to preserve neutrality. Under their leadership, say the Swedes, a united Scandinavia could form a front discouraging attack from any source.

There is, however, one political hurdle, erected by the Cold War. Denmark and Norway are members of NATO, designed as a defense alliance against Russia. Finland has 800 miles of open frontier with the communist giant and will certainly take no step that seems offensive to Moscow. Since nearly 20 per cent of Finland's foreign trade is now with Russia it would probably be happy to settle for a neutralized Scandinavia. But the Western-oriented Danes and Norwegians will not do so without American blessing. In consequence, lacking a better East-West relationship, which in essence means cordiality between Moscow and Washington, there is little immediate prospect for any real Scandinavian union. Yet the commercial relations between these countries, encouraged by their membership in EFTA (the British-sponsored European Free Trade Association) improve steadily. And their economies are more complementary than one might think at first glance.

While Swedish industry is extraordinarily productive, the same can be said of Danish agriculture, which exports two thirds of the food raised on its fertile farms. There is a natural basis of exchange across the narrow strait that separates the two countries, soon to be strengthened by construction of an international rail and highway bridge.

Similarly, mountainous Norway, with only 3 per cent of its area usable land, finds a market in Denmark for its abundant hydroelectric power. And Finland, no longer dependent on the "green gold" of its forests, is coming to the front in shipbuilding as well as in general architectural design.

The rapidity of business development since the war has caused the familiar problem of overheated economies, most serious in barren Iceland, where the population of 200,000 is dependent on American military occupation for its fictitious prosperity. The economic future of this remote island, which separated from Denmark to become an independent republic in 1944, is admittedly dubious. It has virtually nothing but fish to export and naturally the Icelanders are more anxious than other Scandinavians to be included in a Common Market which might assist them if the flow of American dollars should be cut off.

But there will be no Scandinavian Common Market, political difficulties aside, without reliably stabilized currencies. The difficulties encountered by EEC also apply to these smaller Northern countries. There is need for much closer cooperation between their central banks than has yet been attained.

The Russians do not want this development, except on their own terms, and clearly believe that time is on their side. Modern merchant ships, flying the hammer and sickle flag, are now familiar sights in every Baltic port and at the great Kronstadt naval base there is a formidable armada to give backing to this commerce. By contrast I saw no American flag, in any Baltic port, other than that flying over our own handsome *Brasil*, of the Moore-McCormack Lines.

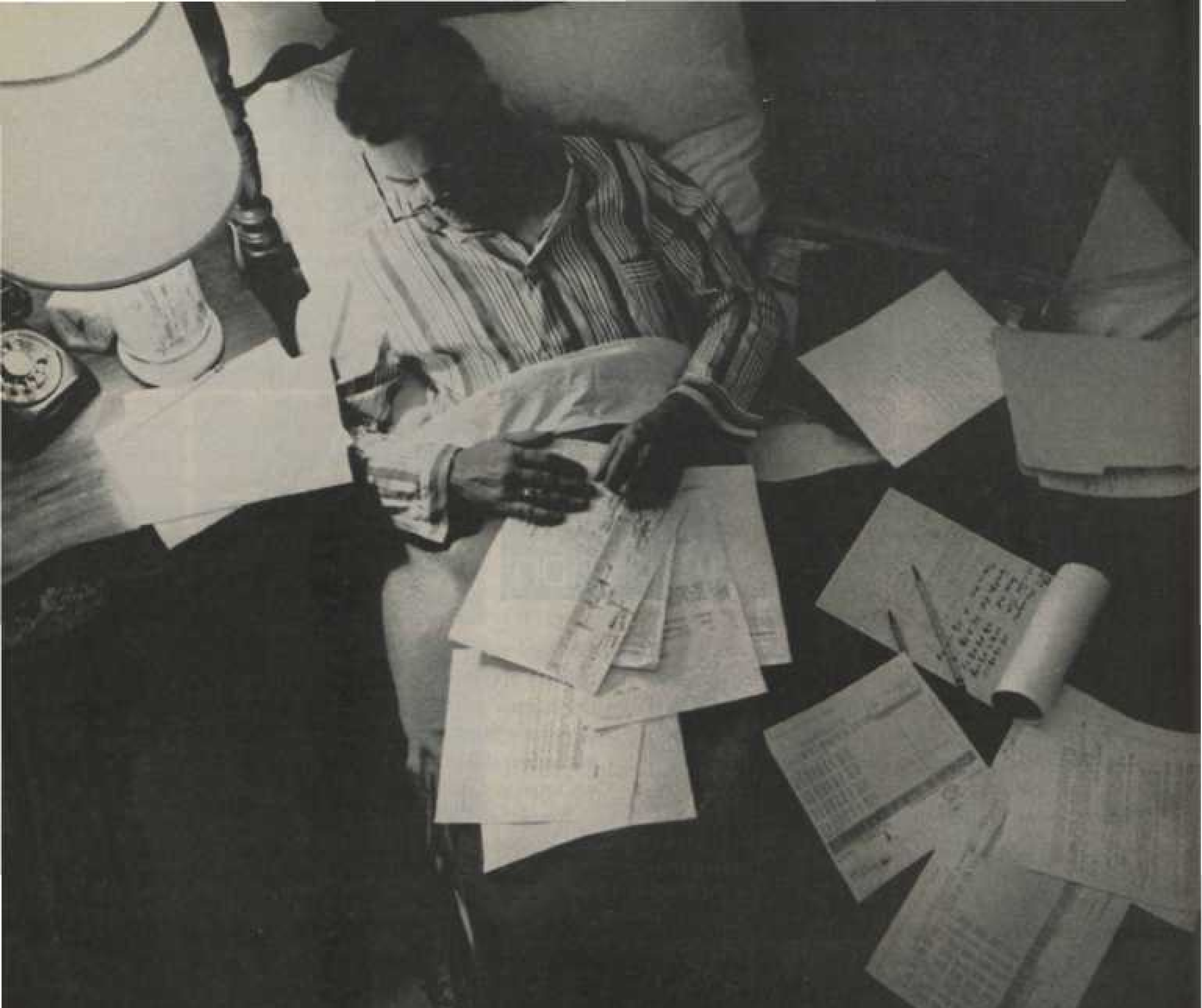
Leningrad, the Russian window on the Baltic, is undeniably an impressive city. The devastation inflicted on it by the German siege has been repaired. The old Czarist palaces and parks are well-restored and none can call the people in the crowded streets either ill-nourished or poorly clothed. There are few private cars and no attractive shops. But there also are no beggars and no litter in the streets.

Nevertheless, the contrast with the vivacious, sparkling Scandinavian cities, whether Oslo, Helsinki, Stockholm or Copenhagen, is striking. Under private enterprise they maintain a well-distributed prosperity without oppressive atmosphere. The brighter present, and presumably also the bright future, lies on the northern, not the southern, shores of the Baltic.

In that important inland sea the entire southern section is held by communist countries—Russia, Poland, East Germany. To crisscross its waters is to realize that the future here is both promising and precarious. It could be that the sheer mass and weight of the communist bloc could in the long run dominate the Baltic, even without any military action.

It is to avert this outcome that so many Scandinavians, a highly-civilized and homogeneous people, are urging closer economic and political ties among their countries. The obstacles are many. If they are to be overcome, not only American sympathy, but also understanding of the complex problem, will be essential.

Even if it requires neutrality, the unity sought would surely strengthen free institutions in an area where they have been indigenous for 1,000 years. That is an objective to which the talents of our diplomacy could happily be addressed, not less so because, by contrast with the Mediterranean, the Baltic is for us the forgotten sea.



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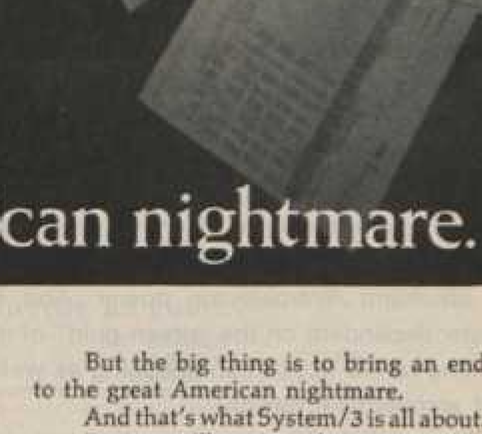


IBM.

PROLONGED AGONY

right or wrong!

BY ALDEN H. SYPHER

There can be little doubt that Ho Chi Minh knew long ago that his skinny little soldiers—deadly as they were—were no match for the military might of the United States.

Nor can there be much doubt Ho knew that since he couldn't beat this vastly superior force in battle, his only chance to win the war was to cause his enemy to give up and go home in frustration and despair.

This the late North Vietnamese leader could do by cutting public support at home out from under this superior force—a time-taking process. Thus he needed a long war. This called for a strategy of attack and drift away.

"The American people's movement against the United States war in Viet Nam has drawn more people of various strata—youths, students, women, colored Americans, intellectuals, cultural and art workers, religious people, working people and businessmen," Radio Hanoi blared two years ago.

"This movement gives strong expression to its firm resolution of demanding that the U. S. government end its war in Viet Nam."

The occasion was announcement of a new committee of the National Liberation Front, the political arm of the Viet Cong, to encourage Americans who opposed the war and to urge others to adopt that point of view.

Thus a campaign carried on for years to build world opinion sympathetic to Hanoi among communists, friends of communism, neutrals and uncommitted Western countries was aimed also directly at the United States.

While few Americans find the National Liberation Front a convincing source of news or attitudes, the positions of many may have been influenced by opinions arising in Stockholm, or Oslo, or other friendly nations—opinions that may have been planted by Hanoi.

The fact that a movement in this country such as that described by Radio Hanoi was at the time demanding that the U. S. government end the war in Viet Nam, and doing it with great effect, may have been only coincidence—or it may have inspired the Hanoi line.

Or it may have been that more and more Americans were getting tired of war, another objective of Ho's long war strategy.

It's already the longest war in American history.

Until Viet Nam, the longest war was the American Revolution, which ended after six and one-half years with Cornwallis' surrender at Yorktown in 1781.

Our participation in the Viet Nam war started in 1950, when President Truman announced that to assist the new state of South Viet Nam he would send a 35-man Military Assistance Advisory group to give advice on the use of American weapons. Seven years later, the first Americans were injured by enemy fire. Another six years passed before U. S. strength reached 15,000 men.

It's a war whose start was as unrealistic as is this country's inability to end it.

Determined to achieve independence from France at the close of World War II, Ho Chi Minh on Sept. 2, 1945, announced creation of the Democratic Republic of Viet Nam.

France recognized the new nation as a free state within the French union six months later but a series of misunderstandings over the terms incredibly led in December, 1946, to the French-Viet Minh war—a conflict the French finally lost after the collapse of resistance at Dienbienphu in 1954.

During this war the French were instrumental in forming the state of South Viet Nam as a rallying point for noncommunist strength to be used against Ho Chi Minh.

When the French were beaten we moved in to prevent the annihilation threatening South Viet Nam, and to help that country carry on its fight against the communist North.

This war is frustrating to many Americans, but far more frustrating to the people we seek to help. For the war we take part in is the most destructive kind possible, barring nuclear explosions. And it is being fought right across their farms and villages and cities, as well as across their jungles, swamps and mountains.

South Vietnamese civilian casualties serious enough to require hospital treatment averaged nearly 10,000 a month last year. In the Tet offensive of 1968 alone, the South Vietnamese government reports, 7,424

Contributing columnist Alden Sypher is former editor and publisher of Nation's Business.

civilians were killed and 15,434 were wounded. As in any civil war the people on both sides look alike. Their ideology doesn't show on their faces, nor in their dress. So we always have difficulty in separating the Viet Cong from the South Vietnamese.

Elaborate schemes have been worked out to identify the many thousands of Viet Cong agents who wander freely in the South, and to check their ability to gather intelligence and enlist support and supporters.

Under a plan used during the command of Gen. William C. Westmoreland, entire villages were cordoned off while hundreds of the very citizens whose freedom and independence we fight to preserve were held under guard and screened for Cong agents and sympathizers.

This must have alienated village after village of Vietnamese who prior to such treatment may have been friendly to the Americans. The effort produced little result.

A following program called Operation Phoenix is said to have been worked out by the Central Intelligence Agency. It is proving to be little, if any, more effective.

The reason for these failures is of particular interest to Americans fighting the Cong. It illustrates one of the principal reasons the war is not being won.

The South Vietnamese act more sympathetically toward suspected Cong leaders than they do toward Americans. In some cases they may be motivated more by fear than sympathy, but the result is the same.

Operation Phoenix began in mid-1968. The object is to identify and destroy, by arrest and jailing, the Viet Cong structure known to be operating in nearly every city and village in South Viet Nam. Within this structure are enemy intelligence agents, saboteurs, organizers and sometime specialists in various fields.

Through this apparatus there is a steady flow of information, supplies and recruits to the Viet Cong.

Several hundred teams were formed under the Phoenix plan, enough to cover nearly all the provinces, districts and cities in the South. On each team are South Vietnamese soldiers, intelligence officers and government representatives, and one or two American advisers.

Each team compiles and maintains a list of Cong agents, supporters and sympathizers in its territory.

When sufficient evidence is assembled to identify a Cong agent or supporter, members of the team contact the suspect. First they try to persuade him to defect to the South. Failing that, they arrest him. Some are said to have been shot.

Arrested suspects are interrogated intensively about the apparatus. Local area authorities must be convinced there is sufficient evidence against the suspect before he may be turned over to the province security council.

The council—the province chief, a local judge and six policemen—usually passes judgment on the basis of investigation reports. It seldom hears witnesses or sees the suspect. As many as 30 cases are considered at a single weekly session.

If the council is convinced the suspect is a Viet Cong agent or organizer, he is subject to two years in jail.

But hardly any get that severe a penalty.

Of the more than 25,000 suspects picked up by Phoenix teams in their first year of operation, more than 80 per cent have gone free, have been allowed to escape, or have been given very short jail terms.

Fewer than 20 per cent have been sentenced to a year or more.

Why?

"Many of them just go out the back door of the jail," Jack Mason, the head of American advisers to the program, told a *New York Times* reporter. "We know that."

"Favoritism is a part of it. Sometimes family relationships are involved. We know very well that if one of our units picks up the district chief's brother-in-law, he's going to be released."

Bribery also plays a part, and so does the common knowledge that getting along with the Viet Cong is a good way to stay alive.

Also, the growing efforts of the United States to end the war are causing many Vietnamese to think twice before crossing the Cong, for today's underground leaders might surface after peace as tomorrow's aboveground leaders.

It's an unusual war in many ways.

For the first time in its history, this nation has become entangled in a war that seems to have no possible clear conclusion.

It's a war from which we cannot extricate ourselves.

We've been trying to do that for 4½ years through bombardment, through halting bombardment, by offers of billions for Southeast Asia aid, through proposals that almost are pleadings.

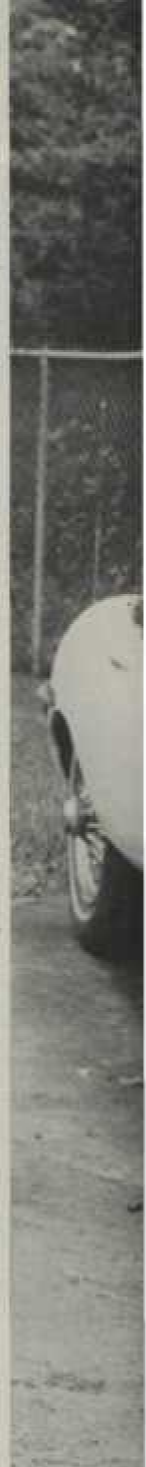
It appears now that President Nixon is without alternatives—that his only hope of ending the war for us is withdrawal.

If that's the case, we'd better withdraw.

For this has become a war with no possible winners. Only losers.

NATION'S BUSINESS
OCTOBER 1969

YOUNG TIGERS OF BUSINESS



You hear it all the time. Business turns off America's youth. Go into business and you'll get lost and become alienated in a faceless organization; it could take you 30 or 40 years to become "relevant."

It's a theme that comes mostly from the driveless who have never held jobs in private industry. And there are many, among the young and the older, who "buy" it.

In answer to such talk, we present the ambitious young men pictured and mentioned on these pages. They, like thousands of other young men, find that if you want to "do your thing"—and your thing is of value—American business is "where it's at."

Young tigers inhabit every type of business today. Some of the more famous ones are at the apex of organization charts of giant conglomerates. For example, Charles G. Bluhdorn, 42, is board chairman and chief executive officer of Gulf & Western. His president is 41, his executive vice president, 34, and his senior vice president, 38.

James Ling, 46, built his electrical contracting business in Dallas into the giant Ling-Temco-Vought firm. David J. Mahoney, who at 33 was president of Good Humor Corp., is today, at 46, chief executive officer of Norton Simon, Inc.

Young men head smaller, fast-moving self-built firms, too. As president and chief executive officer of Lord Hardwicke, Ltd., Charles H. Stein, 41, is launching a chain of British-style pubs across the United States. Daniel D. Richard, 39, is president of Class Student Services, Inc., which, among other things, sells restaurant discounts to students.

William D. Fugazy, 44, president of Diners/Fugazy Travel, Inc., runs 300 travel agencies around the globe.

The computer field has drawn many young men into the business world in a big way. One of the first was John Diebold, now 43 and president of The Diebold Group, an international management consulting firm specializing in computerized decision-making.

Eight years ago, Saul P. Steinberg, now 30, founded Leasco Data Processing Equipment Corp., of which he is board chairman and chief executive officer. It has become one of the world's largest computer service and science of management firms.

Other young men have injected vigor into long-established firms. One is Ross D. Siragusa Jr., 39, who rose from a salesman to president and chief operating officer of Admiral Corp.

Another is Harold M. Marko, 43, president of SOS Consolidated, Inc. Since taking the helm of the 60-year-old "nuts and bolts" firm nine years ago, Mr. Marko has expanded its products and boosted its earnings 2900 per cent.

The list could go on and on. And, in the future, it doubtlessly will.

PHOTO: WERNER WOLFF—BLACK STAR

Harv

filed under Renn

Three years ago, W. Daniel Renn, at 25, gave up door-to-door selling of cookware in order to devote "27 hours a day" to selling home fire alarm devices. His two-bedroom apartment in Winston-Salem, N. C., was his office. This year, his Renn Enterprises, Ltd., expects to gross \$10 million in sales and is planning a \$750,000 office building. Mr. Renn commands a computer, 3,000 salesmen and a staff of 36 young men and women, including a full-time pilot for his company plane. Personally, he owns the Jaguar here and a Rolls-Royce, a Chrysler Imperial and, "for kicks," a 1931 Chrysler. To today's militants, Mr. Renn says: "If you want to pull down American flags, let's see you get the one on the moon, baby."

Young Tigers of Business *continued*

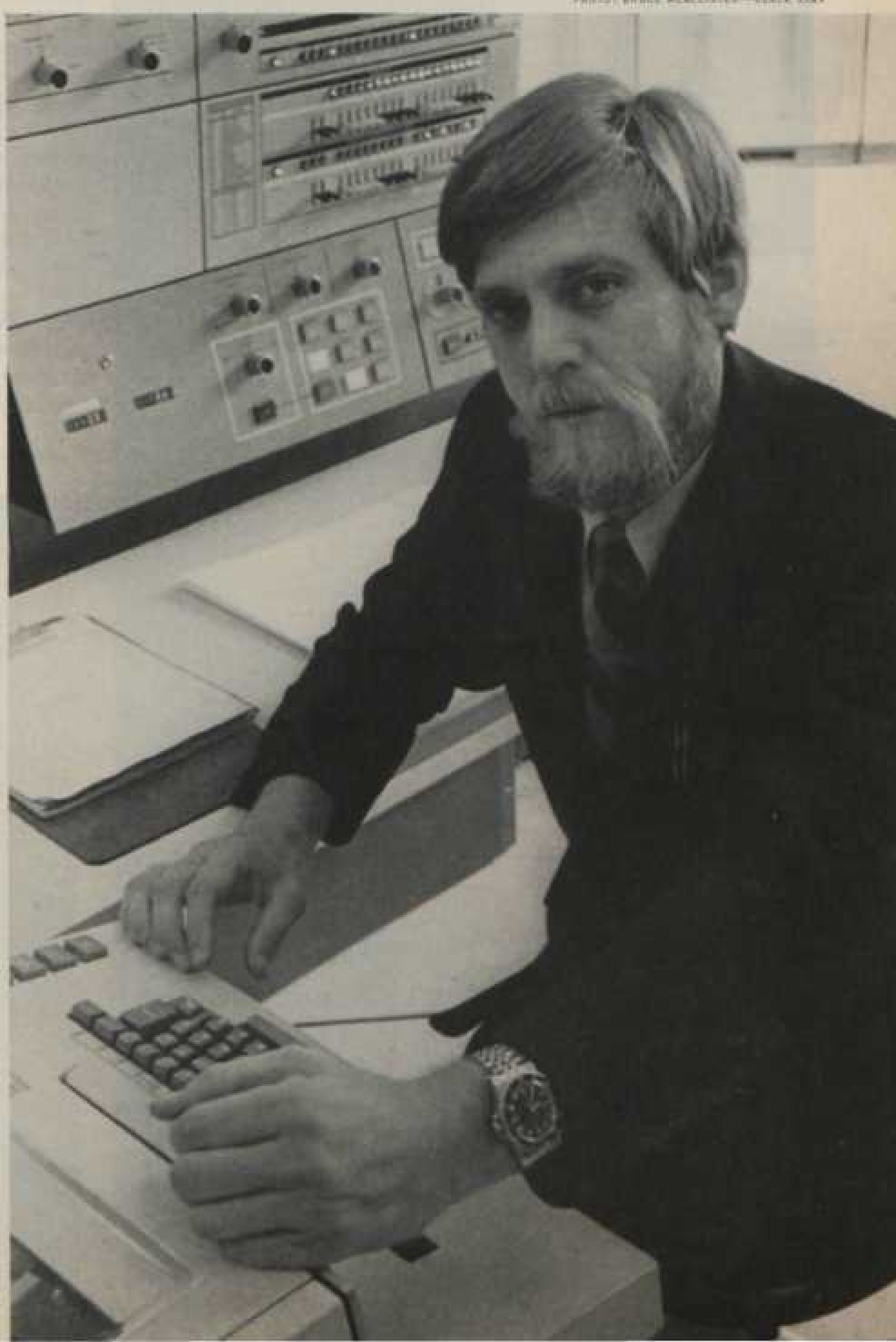
In 1965, at age 35, Bennett A. Brown was one of the youngest men to go through Harvard Business School's famed Advanced Management Program. He was then a vice president of Citizens and Southern National Bank in Atlanta. He became president of an affiliated bank in Augusta, Ga., and last year, when it merged with C & S's Augusta office, was named executive vice president. Mr. Brown is pictured in the employee lounge of his main bank which he is expanding at a cost of $2 million.

PHOTO: DON RUTLEDGE—BLACK STAR

PHOTO: SHEL HERSHORN—BLACK STAR

Charles C. Green, 48, and his son Steven, 23, are both business successes. The elder Green rose from a janitor's job to the presidency of Bonanza International, Inc., a fast-food franchising firm headquartered in Dallas, Texas, which has a youthful management right down the line. After being appointed last month as a regional director for the Health, Education and Welfare Department, he appointed a 38-year-old as his successor. Steven, meanwhile, manages a 1700-acre ranch and 800 head of cattle near Athens, Texas. Both father and son adhere to the following philosophy: "Hire the best man. Make sure he knows the job and has the tools. Then leave him alone, giving him the right to fail."

PHOTO: BRUCE McALLISTER—BLACK STAR



In January, 1968, Albert B. Turner III and two other young programmers quit their jobs with large companies to "become capitalists." They formed Gathers & Associates, a Denver-based firm supplying a variety of data processing services. Working without salesmen, they already have six middle-sized companies as customers and are setting up branch offices all over the country. "Our fees are startlingly low, because we have so little overhead," says Mr. Turner, who is 30. "Most of us work out of our homes and choose our own hours. All of us are becoming quite wealthy."

Young Tigers of Business *continued*

After working in marketing research and sales for several large companies, Philip R. Hoffman joined Hoffman-Marquard Machinery Co., a distributor of machine tools founded by his grandfather 60 years ago. Starting as a "dirty hands serviceman," Mr. Hoffman worked every job in the firm. Upon becoming president he moved his headquarters into a commercial-industrial park in the heart of St. Louis, Mo., at a time when many other firms were heading for the suburbs. Mr. Hoffman, now 42, is president of the American Machine Tool Distributors Association.

PHOTO: HERB WEITMAN—BLACK STAR

Han

PHOTO: MATT HERRON—BLACK STAR

Harold Jamieson Whalum, 40, has been president of the Union Protective Life Insurance Co. in Memphis, Tenn., since February, 1958. Mr. Whalum, who was a singer with an Army division's band in Korea and holds a master's degree in business, dresses with dash, drives a Lincoln Continental, owns a suburban home and is a vice president of the Memphis Area Chamber of Commerce. His company employs 110 agents and has in force $18 million worth of policies with 73,000 blacks. He also owns and operates Whalum's Arithmetic and IBM School and is community relations director of WREC AM-FM-TV.

PHOTO: HERB WEITMAN—BLACK STAR

A pilot, an aeronautical engineer and president and chairman of Haglin & Co., Paul D. Haglin, 40, has developed the country's largest private airport along with 700 acres of adjacent industrial park. He calls it the Spirit of St. Louis Airport, because it's in suburban St. Louis and because his lifelong hero is Charles Lindbergh. Mr. Haglin's flight operations vice president is 28. Today's college militants could be much more effective in reshaping the world as they want it if they engaged in productive work, Mr. Haglin says. "And," he adds, "more people would take them seriously."

Young Tigers of Business *continued*

Outdoors-loving Ralph R. Johnson, 38, is president of Computer Network Corp., a publicly-held remote computing and computer time-sharing organization headquartered in Washington, D. C. Founded two years ago, the firm also operates major computing centers in Philadelphia and New York City. Mr. Johnson formerly was a vice president at Sperry Rand's UNIVAC Federal Systems Division. His own vice president for product development is 29 and his secretary-treasurer is 33. "You'd have to look pretty hard to find anyone over 40 here," Mr. Johnson says.

Louisiana-bred Sam Wyly went to Michigan University to get his master's degree in business. There, a course in electronic data processing fired him up. He spent five years in sales with IBM and Honeywell and then, in 1963, at age 28, organized University Computing Co. with a capital of $1,000. He aimed to rent "computing power" to customers in all types of industries. His enterprise exploded into a 3,000-employee multinational computer utility network. Last year, revenues were $60 million and the company's net worth topped $80 million. Board Chairman Wyly, shown here with his children, runs his empire from Dallas. His younger brother is president of UCC. END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TEST TUBE FOR RELIEF REFORM

See "Welfare"

A program which takes the Nixon path toward jobs for people on welfare has been under way for months; here's a report on the job it's been doing

Harr

PHOTO: ROLAND FREEMAN

The Work Incentive Program is designed to help welfare mothers like Mrs. Thelma Robinson of Washington, D. C., in training as a clerk-typist. The 27-year-old mother of five, a high school dropout, is separated from her husband and has been on relief since 1965. She was without any job skills when WIN began.

For 18 months, a federal-state program has been taking the approach President Nixon took in the proposals he unveiled this summer to get people off relief rolls and onto payrolls.

The Work Incentive Program—"WIN," in federalese—includes key elements of the President's recommendations and the same long-range goal of cutting back the biggest, fastest-growing and most costly welfare category, Aid to Families With Dependent Children.

It requires eligible parents to take jobs, train for them or give up welfare. It features day care provisions to let welfare mothers participate and cash incentives to make going to work more attractive than staying on welfare.

Those concepts also appear in the Presidential proposals to build a bridge "from welfare to work," giving WIN a new significance as a pilot project for those proposals.

The President, however, has said his plan "would create a much stronger incentive to work" by allowing those who move from welfare to jobs to retain a greater part of their earnings without loss of relief benefits.

"The present system discourages the move from welfare to work by cutting benefits too fast and too much as earnings begin," he said.

And he did not recommend continuation of the WIN program's little-used provision for an "employer of last resort"—putting welfare recipients not suitable for jobs elsewhere to work for hospitals, schools and other public or nonprofit private institutions, with wages subsidized by the government.

The President's program also concentrates more on day care centers for children of mothers who work or take training.

Such centers, he said, "will help in the development of the child and . . . break the poverty cycle for this new generation."

The WIN program originated from rising Congressional alarm over the

Test Tube for Relief Reform *continued*

skyrocketing costs of aid to welfare families. When Congress took up welfare legislation in 1967, state and federal expenses in that category had leaped above $2 billion a year, more than double the cost just seven years earlier.

It was at this point that the House Ways and Means Committee under Chairman Wilbur Mills (D.-Ark.) decided drastic steps had to be taken to bring some order to the welfare program. And it took the first experimental one by coming up with its own hard-hitting approach to move people from relief to jobs with the Work Incentive Program.

The WIN program, however, was limited to 100,000 trainees a year out of the million and a half adults on welfare. The President proposes to add immediately 150,000 job training positions and eventually to reach almost everyone receiving benefits who is capable of working. His program also touches other aspects of welfare, such as minimum payments.

Has WIN worked?

It has its bright spots.

There is, for example, the Boston woman who not only went off relief through job training but happily discovered abilities and interests long unrecognized. She's now a medical secretary.

There's the woman in Denver who trained to be a keypunch operator, but found she had a desire not only for a job but also for contact with the public. She satisfied both desires by going to work as a restaurant cashier.

There are women holding jobs as practical nurses or other aides in scores of hospitals that had been searching for trained help while the women were home on relief.

WIN a few, lose a few

But how has the program worked over-all? "Fairly well," is the cautious report from one state welfare official. "Slowly but surely," is the comment of another.

Behind those guarded remarks is a history of bureaucratic infighting, red tape, grandiose promises, resistance among some welfare recipients and a lack of clear-cut standards and direction.

Some welfare officials make it obvious they see their task primarily as providing support for their clients.

"A lot of welfare agency people just haven't geared themselves to the concept of putting people in jobs," said a Congressional critic of their performance under WIN so far. "They think their responsibility doesn't go beyond meeting the basic needs of people they certify for relief."

Under the program as set up by Congress in 1967, physically capable welfare recipients in the AFDC category are supposed to be referred to state employment agencies for job placement or training.

Anyone going directly into a job—comparatively few do, without training—can keep the first $30 of his month's pay plus a third of the rest without losing welfare payments. Then, the payments decrease as the pay goes up. Those who enter training get a $30-a-month allowance to cover transportation and other expenses, again without reduction in welfare.

Under the heading of "special projects," there is a separate category for those who just can't be trained up to private employment standards. They are supposed to be placed with an "employer of the last resort"—a public or nonprofit institution that would pay only a part of their wages, with the balance to come from a welfare agency.

Unhappy over the way the WIN program was progressing—or, rather, not progressing—the Senate Finance Committee asked welfare specialists in the Library of Congress' Legislative Reference Service to look into it.

The report was gloomy. Among its findings:

"The WIN program is off to a slow start. Almost every element of the program has been disappointing in terms of the objectives which Congress expressed . . . and those declared by the Executive agencies.

"Thus far, the program has had a history of missed estimates, and revised estimates, only to be missed again.

". . . It appears that the state welfare agencies . . . have very different policies as to how they are assessing AFDC recipients on their rolls and referring them to WIN. Similarly, the (state) labor-manpower agencies appear to have varying capacities to absorb the people referred by the welfare agencies.

"Some manpower agencies have complained that welfare agencies have not referred enough people, while others say that welfare agencies have referred people who, for physical or other reasons, are not really suitable."

Mrs. Robinson is still learning but she's already passed a U. S. Civil Service test for a job that will pay at least $4,360 a year to start.

Fault-finding on funds

Funding to get the program started was sluggish, with Congress and the Executive agencies shuffling the blame back and forth.

At the outset, there was talk that 120,000 welfare recipients would be

Ham

Office work, in addition to her training, enables Mrs. Robinson to offset the usual Civil Service requirement for a high school diploma.

PHOTOS: ROLAND FREEMAN

Ham, See Welfare

"I just don't want to be on welfare," said Mrs. Robinson, shown with her family, in signing up for WIN. She goes off next month, when she starts her new job.

enrolled in WIN by last July 1, and thousands of others already in jobs.

State welfare departments were charged with screening all eligible recipients in AFDC and referring them to state employment agencies. The employment bureaus then had the responsibility of arranging for training if the individual could not be placed directly in a job.

Complaints arose immediately. They're continuing.

Welfare officials grumble that the

Test Tube for Relief Reform

continued

Denver's WIN program is among best and its welfare chief, Orlando Romero, sees "great potential."

Day care centers, like this one in Denver, play a key role in "welfare-to-work" plans for mothers.

Steve

See Ind. file

PHOTOS: BRUCE MCALLISTER—BLACK STAR

Get follow
Same "Welfare"

employment offices are accustomed to dealing with highly motivated, qualified workers and have neither the capacity nor temperament to handle untrained people—many of them with no work experience at all, many of them barely or not even literate.

Manpower agencies have their own gripes, right up to the top. A U. S. Labor Department official, who declines to be identified because of the tenor of his comments, questions whether welfare agencies are really anxious to refer people to the program.

He notes that the latest Department of Health, Education and Welfare report on WIN cites over 140,000 referrals.

"These are paper referrals, not bodies," he says irritably. "Less than 50 per cent of them even showed up for an initial interview."

On the other hand, Congressional backers question the Labor Department's report of more than 66,000 enrolled in the program when this fiscal year began July 1.

Abrupt dismissal

At the Senate Finance Committee, which has jurisdiction over welfare matters, the figure is dismissed with the terse comment: "Inflated."

The 66,000-plus include 21,237 in a category listed as "holding"; 7,489 in "regular followup," meaning they have completed training, are working but will be checked to see if still employed; and 4,284 in "suspense," or being trained under other programs.

The Labor Department counters that most of those in "holding"—which means they have not begun training—are there because welfare agencies referred them without first making arrangements for day care, medical examinations and other preliminary requirements.

There is a pervasive impression, when you talk with federal and state welfare officials and with the Labor Department in Washington and state employment officials, that each side believes it is doing a good job itself and any problems are the other guy's fault.

Can WIN be made to work the way it was intended? Those closest to it say "Yes," but they do so warily.

Orlando Romero, welfare director

for the city and county of Denver, Colo., says the program has "tremendous potential."

His department has been in the forefront of those going all-out to make WIN succeed. One reason is what Mr. Romero calls Denver's "long history of putting people to work."

But he is impatient with the idea of rigid policies set in Washington without reference to problems uncovered by actual experience at the local level.

Despite a proliferation of guidelines and testing methods, Mr. Romero says, no means of determining vocational ability of welfare recipients referred to labor offices has been developed.

Because of that lack, he says, "We have spent millions of dollars training people for things we had no business training them for." And, on the other hand, people have been refused work they could handle without training, Mr. Romero says. He recalls that a father on welfare was denied a job painting logs in a government installation because he did not have a high school diploma.

Would-be working mothers

Another welfare official who shares Mr. Romero's optimism about WIN is Joseph Murray, chief of special services for the Rhode Island Welfare Department. "WIN can be a viable program," he says, noting a survey his office made showed 90 per cent of welfare mothers were interested in jobs or in training.

From the manpower agency side, Willard Dudley, head of a national organization of state employment officials, says there are certainly problems with WIN but "we're not unduly discouraged."

Mr. Dudley says that, in his own state of Ohio, "We are trying to build soundly. We want it to be meaningful. We are not progressing rapidly, but at least we are moving in the right direction."

In a similar vein, Edward Galvin, chief of the WIN program in Massachusetts, says: "We're doing fairly well."

A key strength of the WIN program, he says, is that "it's set up for the individual." Past programs, he explains, involved "filling seats in a class solely for the sake of filling them and without any determination whether the individual was qualified or not."

In New York State, target of widespread criticism for lagging badly on getting the work-incentive program going, the chief welfare official concedes: "We have encountered some difficulties."

George K. Wyman says they have included staff turnover, difficulty in developing referral procedures, delays in training programs and, particularly, a lack of day care centers.

(A recent monthly welfare report shows that California had judged 2,988 welfare recipients appropriate for WIN referral and had actually referred 2,883 of them, while in New York 4,002 were deemed appropriate but only 1,062 referred.)

Mr. Wyman says his state has no quarrel with the concept of putting welfare recipients into training, and its commitment to that goal can be judged by a new law establishing a $50 million program to provide day care centers for children of working mothers.

Minor's care is major

A federal government specialist on welfare emphasizes that day care is a really major over-all problem in any attempt to move welfare mothers into jobs.

It costs from $1,200 to $2,000 per child per year for day care, he says, noting there are four, five or more children in many welfare families.

A work program covering 200,000 women could involve $400 million annual expense for day care alone.

The welfare specialist suggests that, over the long run, no substantial inroads will be made on the present adult generation of welfare recipients and that the eventual solution will have to come through educating and training their children.

A graphic sample of the difficulties encountered in this generation comes from Denver's Orlando Romero.

An employer offered a man on relief in Denver a job in an upstate New York city, paid all moving expenses for the man and his family, and arranged housing for them in their new community.

But the wife quickly became unhappy away from her relatives, and returned to Denver with the children. The husband lasted only a little longer, quit his job and rejoined them. Now all are back on relief.

Mr. Romero says any plans to match welfare recipients in one part of the country with jobs in another must take into account the fact that moving many of them can produce similar situations. Reliefers can have a strong family interdependence that often keeps them in the same part of a city. A family group which migrated from a Southern community may include not only parents and children, but grandparents, cousins and in-laws.

Final Congressional action on the

President's welfare plan is months away.

But it appears that Congress will agree to his recommendation that the proposed new nationwide minimum federal welfare payment be conditioned on the willingness of able-bodied recipients to work or to train for jobs.

The only specific exemption would be mothers of preschool children, who could volunteer and have access to day care centers for their children.

Others covered by the program would be required to report for training "or give up their right to the new payments," the President said.

While the new proposals are studied and debated on Capitol Hill, WIN will remain in operation and the problems and mistakes that have developed in it so far will serve as warning lights marking pitfalls to be avoided. The significance to taxpayers of efforts to cut growing welfare costs are glaringly apparent in a single statistic.

In the 1958–68 decade, when the economy was booming from one record level to another, expenditures by federal, state and local governments on all welfare programs totaled $106.7 billion. END

A LOOK AT WHAT AILS WELFARE

When President Nixon announced his new blueprint for the nation's welfare system at the Western White House in San Clemente, Calif., he could have cited evidence on the failure of the present system from a few miles down the sun-drenched coastline in San Diego County.

Concerned because welfare payments had increased more than 90 times from 1923 to 1968, while the county's population rose only eight times, a blue-ribbon citizens and business group took a hard look at a problem faced by nearly every county in the nation.

"This was not a witch-hunt," says Lara P. Good, a retired insurance executive and World War II National Guard general who headed a committee of the Association of Former Grand Jurors of San Diego County which made the study.

"We were not looking for scapegoats. But as responsible taxpayers we have . . . a duty to see that these public funds are spent wisely and to achieve the results that are intended."

The cost of welfare was not the only cause for alarm.

Alan S. Raffee, a businessman and member of the State Social Welfare Board, says:

"I am absolutely convinced that our welfare program has unintentionally been designed to help these people adjust to poverty, not to help them out of poverty as the public has been led to believe.

"Welfare has become a permanent way of life for a million and a half Californians and it's my opinion that, the way things are going, 95 per cent of them will never be rehabilitated."

The San Diego group's report does not single out abuses. It attacks the current philosophy on welfare.

Some of its findings:

• The attitude toward welfare has changed so much that today, recipients who are unable to work—or simply don't want to—feel that instead of accepting charity they are exercising a right to be supported at public expense.

• The attitude that each family should support its own relatives, regardless of how distant the relationship, has shifted until even sons and daughters are absolved from contributing to the support of their parents.

• Despite all the fraud cases which have been proven in court, new welfare rules are prescribed wh'ch require payment of benefits without investigation of any kind—an open invitation to further fraud.

• Many welfare administrators are more concerned that public aid claimants receive their payments promptly than they are with the plight of the average taxpayer, who must support the welfare program. Many a taxpayer actually has less income than the recipient of public aid.

• Public welfare will never be cut back as long as grants are given without obligation on the part of recipients. When possible, repayment should be required.

• The solution is not more paternalism, laws, decrees and controls, but restoration of incentives for people to stay off relief rolls.

• Most shortcomings in the county welfare system stem from policies laid down in Sacramento and Washington, and if welfare were administered wholly at the county level, many of these weaknesses could be corrected.

Two examples are cited to show part of what is wrong with current welfare programs.

• A father of 12, receiving $424 in monthly welfare payments, got a full-time job picking mushrooms at $309 a month. Welfare authorities declared that his willingness to work would cost him and his family their payments—a net loss of $115 a month.

• In 1936, a woman who claimed her husband had deserted her and her three children filed for welfare assistance in San Diego. She subsequently had two illegitimate children. Her children in turn had illegitimate children. According to Gen. Good, 27 members of this original family are or have been on welfare in San Diego. Twenty-two of the 27 were born illegitimately.

Says Mr. Raffee: "Our welfare system is so loaded down with people who shouldn't be there that it can't possibly afford to support the permanently dependent in a decent manner.

"Thousands of the elderly, the blind and the disabled . . . are being given such a skimpy amount that they and their children can't even live in a semblance of dignity." END

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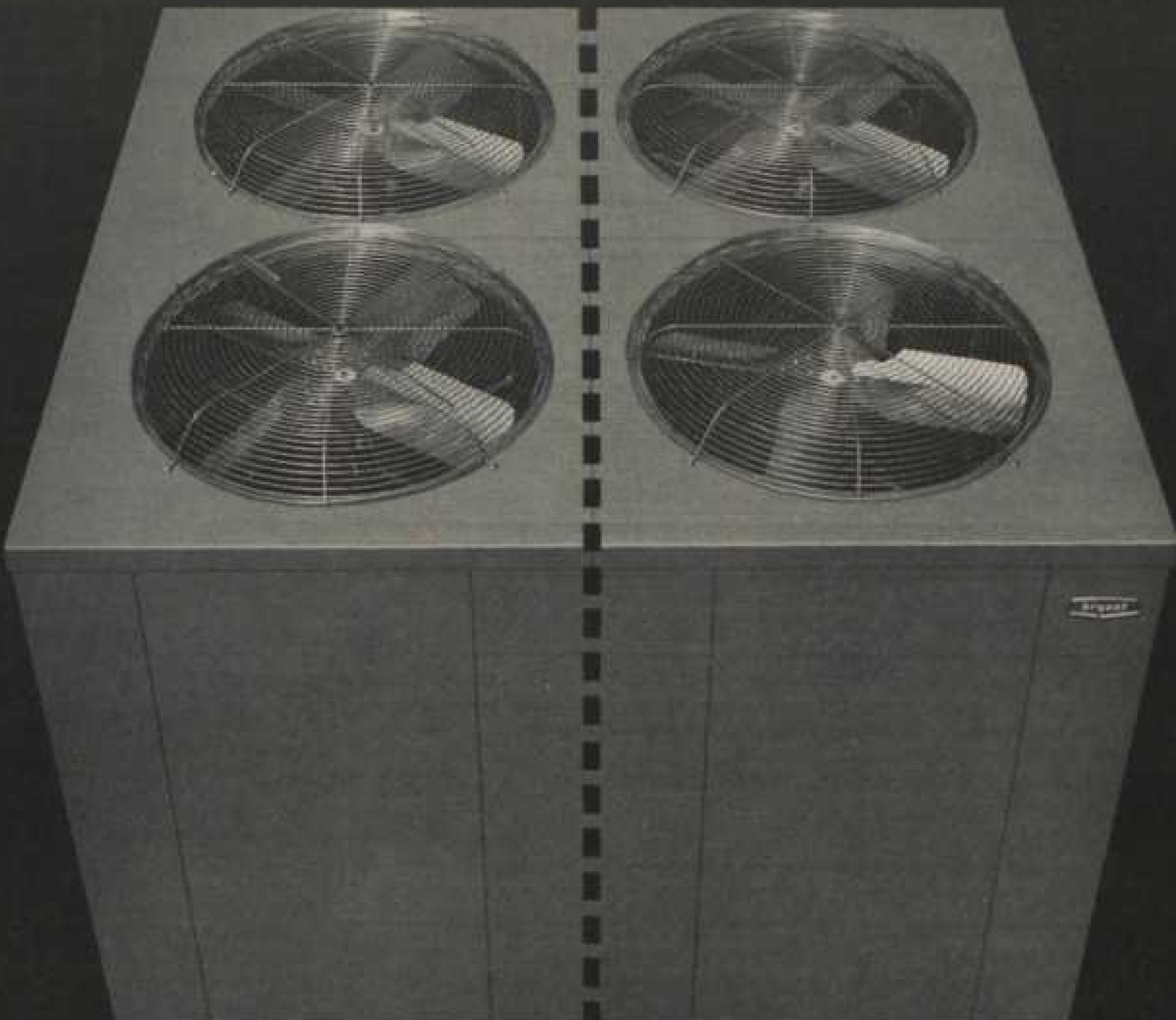

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KEY EXECUTIVES' FORECAST: WHEN BUSINESS WILL TURN UP

It's been a good year, but not good enough, say top company officers; what they see ahead includes no rapid change in the economy, no easy victory over inflation, greater-than-ever labor cost increases and a glimmer of hope about interest rates

PHOTO: HENRY GROSSMAN

We must not turn to wage and price controls in the inflation battle, says C. Peter McColough, president, Xerox Corp. As for interest rates, they will "gradually decrease."

Pinretti's to Mr. Zuckerman of Xerox Corp. 4/5/70

The sluggishness that has been nagging American business will begin to dissipate toward the middle of 1970, and the economy will move ahead.

That is the schedule envisioned by just over half of the 701 high-ranked company executives who took part in the thirty-second NATION'S BUSINESS Outlook Survey.

Results show a slight hardening of opinion that the sluggishness will cling longer than was expected early in the summer when another survey was taken.

Reason for the hardening is the increasingly-tough Nixon Administration campaign to shut off inflation.

A large number of executives—nearly all of whom are presidents, chief executives or chairmen of large and medium-size companies—saw connections between the degree of business slowdown and inflation, taxes and interest rates.

Perhaps Charles J. Zimmerman, board chairman of Connecticut Mutual Life Insurance Co., Hartford, gave the consensus when he said he expected that the lag would "last until mid-summer of 1970. Lower federal taxes, slightly lower interest rates, greater availability of credit, rising personal income and a phasing out of the Viet Nam war, plus a boom in residential housing and a somewhat greater supply of labor, along with a slowdown in the rate of inflation to perhaps 2.5 per cent to 3.5 per cent, will bring about this revival of business. Profit margins will also begin to increase."

Robert W. Sarnoff, president of RCA in New York, pinpointed what needs to be done: "American business management will be severely challenged in the months ahead to maintain current profit levels. The need for rigid monitoring of administrative costs, inventories and other variables is more imperative today than at any time in this decade."

Two more years, some say

NATION'S BUSINESS posed this question: "How long do you look for the present downturn in business to last, and what do you think will be the main factors helping with the revival of business?"

Most pessimistic answers came from 30 respondents. Two years, they wrote. Ninety said simply that business would turn up next year. One

Pan

P. J. Lucier

Here

Wood, J. Harry

PHOTO: [illegible]—PIX

Continental Telephone President P. J. Lucier isn't overjoyed about the Administration's fight against inflation. "Fair to good," is his appraisal.

PHOTO: JALO—PIX

The economic slowdown will last until late summer or early fall of 1970, predicts J. Harry Wood, president, Home Life Insurance Co., New York.

PHOTO: JACOB LOFMAN—PIX

Pan

A way to attack inflation is to encourage capital spending, says W. L. Wearly, chairman, Ingersoll-Rand Co. He sees interest rates down in the next year or two.

hundred eighty-one said the first half of 1970, 87 said the last half of 1970, 117 said they did not consider this a time of downturn, 82 declined to estimate and 125 gave a variety of answers without time elements.

Here is a selection of these answers:

C. Peter McColough, president, Xerox Corp., Rochester, N. Y., saw the slowdown lasting until "the first or perhaps second quarter of 1970. The main factor in helping the revival . . . is the general growth in population and general growth trend through technology of American business."

Roger Sonnabend, president, Hotel Corp. of America, Boston, said simply that the duration of the lag would be "one year."

William F. Lucas, president, Brown-Forman Distillers Corp., Louisville: "Eighteen months. After the present need for tight money is eliminated by the reduction of inflation, the loosening of the money market will improve everything."

Patrick E. Haggerty, chairman, Texas Instruments, Inc., Dallas: "By the last half of 1970 business should be pointing up. The surtax coming off in 1970, tax reform for consumers, and higher disposable income should all be stimuli to the economy in 1970."

Augustine R. Marusi, chairman, Borden, Inc., New York, predicted that "the downturn will last another six months," and cited "lower interest rates and the Viet Nam war's end" as the main prospective revivers of the economy."

Robert P. Fedder, president, R. P. Fedder Corp., Rochester, N. Y., estimated, "four to five months. A lot depends on federal spending and what changes, if any, are made by the Federal Reserve on prime rates. The slowdown may not be long enough to cool the wage spiral."

William R. Adams, president, St. Regis Paper Co., New York: "Six to eight months—lower taxes, easier money, renewed capital expenditure, better psychology regarding Viet Nam."

George E. Keck, president, United Air Lines, Chicago: "Six to nine months. Easing of interest and tax rates along with end or at least a substantial reduction of scope of the Viet Nam war."

C. E. Spahr, president, Standard

Key Executives' Forecast *continued*

Here

Oil Co. (Ohio), Cleveland: "Another six months to a year. Then increasing demand, modified taxation applying to many will have helpful effect."

William Bynum, former chairman and now consultant, Carrier Corp. Syracuse, N. Y.: "If inflation is to be brought under control the downturn may last through 1970 and possibly 1971. Increased costs are built into agreements for the next two to three years and inflation will not be brought under control until there is a better balance between increased costs and increased productivity."

J. Harry Wood, president, Home Life Insurance Co., New York: "Late summer or early fall, 1970."

William M. Batten, chairman, J. C. Penney Co., Inc., New York: "Six to nine months, depending upon Federal Reserve actions and the timing of actions regarding money supply. Availability of lower cost money, a Viet Nam settlement and a resurgence of confidence in the future by both businessmen and consumers will be the main factors."

R. B. Pamplin, chairman and president, Georgia-Pacific Corp., Portland, Ore.: "About the middle of 1970. Lowering interest rates and making money available."

PHOTO: BOB SHERMAN—PIX

Patricia Elmore, Standard Systems Corp. president, will be watching 1970's first quarter earnings as a barometer on how long the slowdown will continue.

Here

PHOTO: JACOB COTMAN—PIX

William R. Adams, president, St. Regis Paper Co., believes that interest rates will hold steady until 1970 and then slowly begin to ease.

Raphael Malsin, president, Lane Bryant, Inc., New York, took a more optimistic stance in saying, "End of 1969. Revival will be helped by lower taxes and inherent strength factors such as increase in population and drive for excellence."

W. L. Wearly, chairman, Ingersoll-Rand Co., New York, wrote there hasn't been "much of a downturn." Furthermore, business "will start up more strongly when money availability increases."

Rodney C. Gott, chairman, American Machine and Foundry Co., New York, was in the same camp. He said business isn't down, it's just that "the rate of increase has slowed. Business should be helped when better monetary stability is obtained."

Still another optimist was John M. Daigle, president, Casco Bank and Trust Co., Portland, Me., who wrote: "Less than six months. Revival will be stimulated by the force of pent-up demand for credit which has been held in the wings by high interest rates—particularly housing needs and the needs of local and state governments."

James S. Kemper Jr., president, Kemper Insurance Group, Chicago, took a cautiously optimistic line, estimating the slowdown will last for "six months." He added that "the economy of the United States must grow over the long term due to population growth, technological advances and the ingenuity of managers if given a chance."

Another question posed by NATION'S BUSINESS which brought forth a variety of thoughtful answers was: "What is your estimate thus far of the Nixon Administration's attack on inflation?"

Two hundred thirty-six respondents said "good," 135 said "fair," 56 said "poor," 62 said the attack is "working," 100 said it has had "no effect," 64 said the attack has not been strong enough and 42 didn't answer.

Russell DeYoung, chairman, Goodyear Tire and Rubber Co., Akron, Ohio, explained that the Nixon attack "doesn't take into consideration the main problem—labor's unlimited demands for wage increases and its ability to get them."

T. A. Bradshaw, chairman, Provident Mutual Life Insurance Co., Philadelphia, said: "Results are understandably, but disappointingly, slow. But the attack seems to be taking effect."

Backing the attack

Executives who appeared to be fairly well pleased with the attack included: M. B. Pendleton, chairman, Pendleton Tool Industries, Los Angeles; E. D. Pierson, general manager of the Denver Division of Cutler-Hammer, Inc.; C. Robert Yeager, president, L. G. Balfour Co., Attleboro, Mass.; H. C. McKinney Jr., president, First National Bank, El Dorado, Ark.; Sam M. Fleming, president, Third National Bank, Nashville, Tenn.; Charles J. Davis, president, Davis Manufacturing Division of J. I. Case Co., Wichita, Kans., and George Strike, president, American Laundry Machinery Industries, Cincinnati.

President Nixon's efforts came in for brief, blunt upbraiding from some of those surveyed.

"Lousy," wrote Peter Georgeson, president, Atlas Forgings Co., Cicero,

Har

PHOTO: MICHELLE VIGNES

Fireman's Fund Insurance Co. Chairman Fred H. Merrill says the slowdown will end in six to nine months. He sees "demographic changes" helping.

Ill. "Poor to zero," said McLeod Stephens, president, J. S. and S. Shoe Co., St. Louis. "Using wrong methods," said Eugene P. Berg, president, Bucyrus-Erie Co., South Milwaukee, Wisc.

"Abominable," wrote Fred C. Kilguss, president, Excell Manufacturing Co., Providence, R. I. "Nil. Shows some weak signs of having some effect during next 12 months," wrote Wayne A. Parker, president, Oklahoma Gas and Electric Co., Oklahoma City.

There were milder critiques, too.

James D. Edgett, chairman, North American Van Lines, Ft. Wayne, Ind.: "No noticeable improvement. However, believe continued positive action will help."

James Gettys, president, Standard Knitting Mills, Knoxville, Tenn.: "Results not conclusive. For present will have to hope for further economies in government."

H. I. Koolsbergen, president, the Oil Shale Corp., New York: "Not well thought out. Too many of the classic academic but obsolete philosophies are used."

A. Lightfoot Walker, chairman, Rheem Manufacturing Co., New York: "A sturdy effort, but doomed to some disappointment because of built-in increases in labor contracts, government spending, etc."

Charles H. Kellstadt, chairman, General Development Corp., Miami: "Scme progress, but in my opinion fails to define difference as to inflation between expenditure of government and private sector."

Looking to the future, NATION'S BUSINESS asked, "What further needs to be done by the Administration to fight inflation?"

A selection of answers:

Elmer Winter, president, Manpower, Inc., Milwaukee: "One thing we can't afford to do—increase unemployment."

S. S. Greeley, executive vice president, Masonite Corp., Chicago: The Administration should keep up the fight "for a few more months."

Douglas Sloane, vice president and treasurer of Towle Manufacturing Co., Newburyport, Mass., said the attack should include reduced government spending.

Robert Leathers, president, Lansing Tool and Die Co., Lansing, Mich., pleaded for a continuation of the effort to prevent excessive debt financing.

George Karch, chairman, Cleveland Trust Co., Cleveland, urged reductions in farm subsidies, easing of bars to entry in craft unions, elimination of oil import restrictions, financing of medical educations, elimination of minimum wages for all under 21.

Wage-price freezes asked

Frank Pellegrino, president, International Hat Co., St. Louis, called for freezing wages and prices for one year.

Chris Hammond, president, Great Dane Trailers, Inc., Savannah, Ga., said it should be made illegal to sign or negotiate labor contracts for more than a year if they contain "built-in" wage increases.

Paul M. Schlem, chairman, Gold Seal Vineyards, New York, called for a Viet Nam settlement and less talk of controls.

Robert A. Uihlein Jr., chairman, Joseph Schlitz Brewing Co., of Milwaukee, wrote that there should be "some effort to control runaway union demands. Also capital expenditures must ultimately be stimulated, rather than retarded."

Mrs. Patricia Elmore, president, Standard Systems Corp., Pompano Beach, Fla., has strong feelings on the subject. "Decrease foreign aid," she said, "reconsider the space program commitments in view of recent success, withdraw from Southeast Asia, scrap the welfare program entirely, reduce federal taxes."

W. G. Kuhns, president, General Public Utilities Corp., New York, said that perhaps wage and price control will be needed. "Time will tell," he added.

Reduction in government spending was mentioned 258 times as a means of fighting inflation. Wage control was mentioned 138 times and restraints on the power of unions were called for by 71 respondents.

Interest rate drop seen

One big surprise in the survey was the belief of 370 participants that interest rates will come down in the next year or two. It has generally been believed that most American executives felt we were in a period of rising

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PHOTO: MILTON FEINBERG

Interest rates are "at the peak now; will decrease but remain high," says C. Robert Yeager, president, L. G. Balfour Co., manufacturing jewelers.

Key Executives' Forecast *continued*

rates, or at least a period when they will not be coming down.

Only 67 executives thought rates will go on up; 167 thought they will remain about the same; 38 would not hazard a guess and 25 dismissed the question by saying it was too hard to make predictions.

John W. Barriger, president, Missouri-Kansas-Texas Railroad Co., St. Louis, looked for a drop in the prime rate to around 6 per cent, "possibly a little lower than that."

A drop to about 6.5 per cent in the prime rate was foreseen by John L. Roper II, president, Norfolk Shipbuilding and Drydock Corp., Norfolk, Va.

John M. Akers, president, Akers Motor Lines, Inc., Gastonia, N. C., wrote that interest rates will "level off higher than they were a year ago, but maybe a little lower at present."

E. J. Moore, president, Detroit Ball Bearing Co., Detroit, said that in his opinion rates will drift down slightly during the last quarter of this year and that during 1970 the prime rate will go to 6 per cent.

P. J. Lucier, president, Continental Telephone Corp., St. Louis, predicted that rates will come down slightly.

PHOTO: MILTON FEINBERG—PIX

A. Bruce Durkee, president of Durkee-Mower, Inc., feels foreign spending and welfare handouts should be cut in the fight against inflation.

PHOTO: JACOB LOFMAN—PIX

"Very spotty and indecisive," says Paul M. Schlem, chairman of Gold Seal Vineyards, of the Nixon Administration's inflation campaign.

Fred H. Merrill, chairman, Fireman's Fund Insurance Co., San Francisco, looked for leveling off and some decline over the next two years.

J. W. Feighner, president, Tom Huston Peanut Co., Columbus, Ga., saw rates staying level for six months to a year and then gradually declining.

A blunt estimate of the situation came from A. Bruce Durkee, president, Durkee-Mower, Inc., Lynn, Mass. "They'd better start coming down," he said.

J. M. Sweitzer, chairman, Employers Insurance of Wausau, Wausau, Wisc., answered the question at length: "I do not expect them to go much, if any, higher. But neither do I believe they will be substantially reduced within the next year or two. If the present levels do not supply the needed drag on inflation, we will have to look for other controls. To push interest rates much higher might be a case of the remedy being worse than the disease."

President Conway Crossland of the Central Savings Bank and Trust Co., Monroe, La., said the trend will continue upward until the attack on inflation begins to show conclusive results. "Unless present pressure is relieved," he predicted, "this should take no longer than the balance of 1969." Then, a downward trend for the next year or two.

Lawrence H. Martin, chairman, National Shawmut Bank, Boston, said short-term rates will remain firm.

Labor costs: How high?

There was a wide range of answers to the question, "By what percentage do you expect your labor costs, including fringe benefits, to increase in 1969?"

Previous Outlook Surveys have shown feelings that labor costs would go up 4. 5 and 6 per cent. This survey revealed widespread beliefs that labor costs will go even higher.

Nineteen respondents foresaw 15 per cent increases; 37 foresaw 12 per cent; 17 foresaw 11 per cent; 98 foresaw 10 per cent; 21 foresaw 9 per cent; 88 foresaw 8 per cent; 118 foresaw 7 per cent, 96 foresaw 6 per cent and 84 foresaw 5 per cent.

Only 33 predicted increases of 4 per cent or less. Eleven went so far as to say labor costs will go up a whopping 20 per cent, and seven said 25 per cent or more.

Here are percentages named by a selection of respondents:

Eli Goldston, president, Eastern Gas and Fuel Associates, Boston, 8 per cent; E. E. Joynt, chairman, Millikin National Bank, Decatur, Ill., 7 per cent; H. Lloyd Hanson, president, Henry L. Hanson Co., Worcester, Mass., 7 per cent; Ernest S. Marsh, chairman, Santa Fe Industries, Chicago, 7.5 per cent; R. P. Timmerman, president, Graniteville Textiles, Graniteville, S. C., 7 to 8 per cent; Harry E. Fuller, president, Capital Finance Corp., Columbus, Ohio, 7 to 10 per cent; Francis N. Southworth, president, Concord National Bank, Concord, N. H., 13.7 per cent; Edmond D. Henley, president, Birmingham Electric Battery Co., Birmingham, Ala., 14 per cent; I. N. Pincus, president, Pincus Brothers, Inc., Philadelphia, 12 per cent; J. G. Dwyer, president, Dwyer Instruments, Inc., Michigan City, Ind., 6 to 7 per cent; Robert McK. Thomas Jr., president, Thomas and Betts

PHOTOS: DECLAN HAUN—BLACK STAR

Corp., Elizabeth, N. J., 6 per cent; Mrs. E. S. Illingworth, president, Commercial Forgings Co., Cleveland, 6 per cent; Gus S. Wortham, chairman, American General Insurance Co., Houston, 5 per cent.

Three executives who saw sky-high jumping of labor costs were W. W. Deardorff, president, Deardorff-Jackson Co., Oxnard, Calif., who forecast a 20 per cent increase; Stanley A. Walz, president, Traveletter Corp., Old Greenwich, Conn., 25 per cent and Claude M. Farish, chairman, Morrilton Security Bank, Morrilton, Ark., 27 per cent.

Despite leaping labor costs, inflation, high interest rates, the surtax, increased local taxes and the siphoning off of energy and money by the Viet Nam war, 1969 has been a busy year for American business.

This was foreseen in detail in Outlook Surveys during the last half of 1968 and early this year. However, if anything, the early part of the business year was even better than the business leaders participating in these optimistic surveys anticipated. The slowdown did not develop until summer.

Of the 701 executives who took part in this latest survey, 545 said their volume of business in 1969 has been better than in 1968 and only 65 said it has declined. Six did not answer and 85 said business has leveled off.

Prices and profits

During 1969, 462 companies contacted in the survey increased prices of their products or services and 131 price lines remained firm. In 101 cases, some company prices went up and some came down. Eight company executives declined to say.

As for profits in 1969 as compared with 1968, the picture was reasonably pleasant. Three hundred thirty-one executives said their company profits were up, 205 said they were about the same and 157 said there had been declining profits.

And finally, 276 executives said company spending in 1969 for capital improvements increased over 1968 expenditures, 183 said it decreased and 232 said spending remained about the same. END

United Air Lines President George E. Keck expects an easing of tax and interest rates and substantial reductions in the scope of the Viet Nam war.

Photo retd to Lane Bryant, Inc. 11/5/69

The Administration should reduce waste and hold down costs without sacrificing useful programs, says Raphael Malsin, president, Lane Bryant, Inc.

Can We Control Inflation?

With the fall season's rising tempo, the economy enters a crucial phase in the struggle against inflation. For roughly nine months, monetary and fiscal policies have been restrictive, aimed at slowing down over-all growth of demand and thus lessening inflationary pressures and expectations.

But so far, there are few visible signs of progress. Prices consumers pay keep rising—in the first seven months of 1969 at over 6 per cent, the fastest pace in 18 years.

Is inflation uncontrollable, or is the overheated economy beginning to cool? Will restrictive measures be eased too soon, or will they plunge us into a recession? Do we need to move toward wage and price controls, or will classical measures work? Above all, when and how will we get price rises down?

As seasonal pressures of expansion collide with the realities of policy restraint, answers to these questions now being debated by economists in and out of government will start pouring in. Some believe the basis for controlling inflation has now been firmly laid. Others call for direct controls to cope with construction or basic industrial prices and wages.

Still others fear the economy stands on the brink of a serious recession unless tight money is soon eased up.

In September the Administration acknowledged its concern with slow progress in stopping inflation. It moved to cut back sharply on new federal construction projects, thus reducing the demand for construction labor and hopefully slowing the rise both in construction prices and in wages in the building trades.

It takes time

Those disappointed with the pace of progress in controlling inflation could be badly mistaken in thinking that policies of restraint are making no headway. As Dr. Paul W. McCracken, chairman of the President's Council of Economic Advisers, recently pointed out, "When you are steering a big ship, it does not turn immediately when you turn the rudder. It will continue in the same direction for quite a period before it starts to respond."

Indeed, the major lesson of current economic experience is that it takes time to reverse the buildup of a four-year inflationary pressure in the world's biggest productive system, without disrupting growth prospects. And it takes time to reverse the powerful psychology of inflationary expectations by business, labor and consumer decision-makers.

Though inflation is far from licked, business is beginning to slow down in important ways. Even while prices are rising rapidly, the basis for further price inflation is being gradually eroded. A little scratching beneath the surface exposes the forces of deceleration.

Late-summer signs of continuing boom included record levels of employment, personal incomes, industrial production and retail sales. But these signs are easy to misread in the critical period of clash between four-year overheating and steadily applied restraining measures.

Apart from the federal government pay raise, the recent increase in private wages and salaries was less than price increases. Employment is expanding more slowly and unemployment, though still at low levels, has begun to creep upwards. Retail sales, when adjusted for price increases, reached their peak of volume in September a year ago.

The evidence does not yet point toward a recession, in the sense of two successive quarters of activity that is declining. But it does seriously challenge those who claim that policy measures are not working to bring inflation within control.

The broadest measure of economic activity, total output of goods and services, has been slowing down for about a year. By adjusting this gross national product (GNP) for price in-

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DR. CARL H. MADDEN, *author of this article, is chief economist of the Chamber of Commerce of the United States.*

creases, it becomes clear that "real" growth in the economy is proceeding at only about 1.5 per cent a year compared with a rate of more than 7 per cent in the second quarter of 1968.

There are no signs of a consumer spending spree in the offing. Retail trade, which accounts for some 40 per cent of total GNP, was only 2.8 per cent higher in volume in mid-summer than in July, 1968—less than the increase in prices during the period. Auto sales have begun to show signs of lassitude, with little evidence of a bargain-hunting rush for leftover 1969 cars. And consumers are drawing down their savings. Saving was only 5.3 per cent of disposable income during the first half of this year, down from 6.5 per cent for 1968 and 7.4 per cent for 1967.

Home building is in a slump. The housing industry has been the earliest and most exposed victim of credit restraint throughout post-World War II experience. By mid-summer, new housing starts had dropped sharply from a rate of 1.7 million units per year to 1.3 million, with every prospect of continued decline in the rate of starts throughout the fall.

Investment is strong

Business investment spending, by contrast, has been the strongest element in the economic picture, but signs are mounting that falling stock prices and the profits-liquidity squeeze are scaling down business spending plans.

The latest Commerce Department-Securities and Exchange Commission survey of spending intentions suggests outlays for all of 1969 will be 10.6 per cent above their 1968 level—a sizable increase for expenditures that currently account for over 10 per cent of total GNP. But this is down from the 13.9 per cent increase anticipated by the survey made six months earlier. If the later survey proves correct, business spending reached its peak rate in the third quarter and will begin to drop towards December.

For all this year monetary and fiscal policy have been working together to rein in the galloping boom, and policymakers show no signs of loosening the reins.

On the fiscal front, the federal budget registered a $3 billion surplus for the fiscal year ending last June 30—after eight years of deficits including $25 billion in fiscal 1968. The Administration is budgeting for a $6 billion surplus in the current fiscal year, assuming Congress extends the income tax surcharge at a 5 per cent rate for six months after Jan. 1. The Administration has pressed Congress to more than match spending with revenue in considering both appropriations bills and the tax reform bill.

Furthermore, the Administration is trying to hold down the expenditure side of the budget. The late-summer cut in construction outlays followed a reduction in defense outlays in the GNP statistics for the first two quarters of 1969.

Monetary restraint has been cumulating in its effect on the economy. The Federal Reserve authorities, no longer having to accommodate large federal borrowing to cover budgetary deficits, have kept the brake on credit throughout the year, slowing the growth of most monetary aggregates including Federal Reserve credit, member bank reserves and the money supply.

For a while, banks adjusted to their loss of liquidity by selling securities, raising funds through holding company affiliates by selling commercial paper, borrowing Eurodollars from their foreign branches and other foreign banks, and turning to the Federal Reserve discount window.

Now, tight credit is forcing banks to ration credit among customers seeking loans, even though interest rates have risen to hundred-year highs.

Credit restraint takes time to squeeze the liquidity out of the banking system but has seldom if ever failed to stop a boom in its tracks. Thus, the money supply rose at a 1.8 per cent rate from June through August, compared with a 3.6 per cent rate earlier this year and a 7 per cent increase in 1968. These figures are corrected for the distorting effect of this year's inflow of Eurodollars, but not the annual revision of seasonal factors.

But the growth of bank loans actually increased in the first half of 1969, at a rate of 15.5 per cent, or one third higher than in the like period of 1968.

as more firms were forced to borrow to meet their own liquidity or investment spending needs.

Now, however, the slack is out of the banking system. Bank loan-deposit ratios have soared upward, and banks in the large money centers are presently operating with loan-to-deposit ratios of 95 per cent, considerably higher than during the 1966 credit crunch.

Something has to give

With aggregate demand slowing down, and with excess liquidity squeezed out of the economy, something will have to give this fall. Will it be the policies of restraint themselves or the inflationary psychology that has impelled price rises to 18-year highs? A strong case is emerging that those policies are in the process of braking inflation.

A landmark research study for the Federal Reserve, using mathematical equations to "model" the economy with the aid of computers, gives a plausible scenario. The Massachusetts Institute of Technology study, reported in a preliminary assessment by Reserve Board Governor J. Dewey Daane, shows the powerful but delayed effect of monetary policy on the economy.

Monetary policy "is a more powerful tool of stabilization policy than most economists, except perhaps Milton Friedman, would have guessed," reported Mr. Daane, but its delays are "uncomfortably long."

Fiscal policy, the study shows, is also important and works faster than monetary policy. And consumer spending is affected by monetary policy, it shows, through the impact of credit restraint on stock prices.

By September, stock market prices already reflected the gloomier outlook for corporate earnings and dividends, with the Dow-Jones average about 15 per cent below its May level. Foreign investors by September were liquidating U. S. stocks. While tight credit was discouraging stock purchases at home and abroad, the bond market remained depressed because of inflationary expectations, but more bargains were becoming evident.

The Administration, showing no signs of easing its policies of steady restraint, remains in the throes of producing tangible results in stopping inflation. But it has not exhausted its inventory of tough, market-oriented measures. There is room for further cuts in public works projects, or for a slowdown in defense weapons development, or reductions in progress payments on defense contracts.

Time and again, the Administration has made clear its disbelief in an "open-mouth" policy of guidelines and "jawboning" as a way to affect inflation. Emphasizing its dedication to a market philosophy, the Administration has quietly pointed out that both business and labor are going to have to live with their price and wage and spending decisions.

It is becoming clearer, however, that the Administration will use the economic power of government purchases to affect private demand and supply, if necessary. And this is in fact a more potent weapon against inflation than the illusive bandage of price and wage controls.

Looking ahead

The odds, then, are for beginning to get inflation under control. But the process is taking and will take time, if a sharp recession is to be avoided. Don't look for price rises to be stopped in their tracks, but for the rate of increase to move down from 6 to 5 to 4 to 3 per cent—and hopefully lower—over many months.

The harsh facts of recorded experience show that labor markets must ease if price rises are to slow. Collective bargaining has spread the expectation of annual money wage increases throughout the economy. Thus, if wage costs are to level out, both labor strife and unemployment are in the offing.

The big question remaining is whether the Administration will have the nerve to steer a steady course through the economy's adjustment period. If it bows to advisers jittery about continuing price rises, the risk increases that tougher measures will induce a sharp recession. Recession danger is heightened because "when the U. S. sneezes, Europe catches pneumonia." There is then a risk of a spreading world recession.

If the Administration follows the advice of those who claim the political consequences of recession are greater than those of inflation, the danger is that prices will continue to rise at the intolerable level of 4 per cent or more. The impact of continuing inflation at home on the U. S. balance of payments, were foreign dollar holders to lose confidence, is likewise that of world depression through increased trade restriction and the choking off of world trade.

The stakes are high and the path toward stability needs strong nerves to negotiate. So far, the weight of evidence is that the policy of gradualism is beginning to work. The best advice to policy-makers now is: Steady as you go! END

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LESSONS
OF
LEADERSHIP
PART LIII

Thomas F. Patton of Republic Steel

Dealing with the six publics of a private enterprise

When Tom Patton was a youngster growing up in Cleveland he had the same interests as most kids his age, with one exception—he liked to go to court.

He was fascinated with the drama of the courtroom and he sat enchanted, watching trial lawyers at work. He knew then what he wanted to do in later life.

Thomas F. Patton went on to become a lawyer but the path of his career all but bypassed the courtroom and led him instead to the executive suite of Republic Steel Corp., where today he is chairman of the board (he's held the title since 1963) and chief executive officer (since 1960).

Mr. Patton became a steelman almost by chance. A year out of Ohio State University Law School, he joined a Cleveland law firm which represented a number of steel companies. Several years later he participated in developing and carrying out legal strategies involved in effecting the merger of four independents into what is now Republic Steel.

In 1936, he was asked to join the fledgling company and organize its legal department. It was a case of love at first sight, in Mr. Patton's words, and the honeymoon has never ended.

Gray-haired, well-tailored and urbane, Tom Patton at 66 is Hollywood's concept of what a corporate executive looks like. As one newspaper described him, he is the prototype of the "new wave" of American industrial leaders: well-educated, articulate and broad in outlook.

A dynamic, gregarious man, he relaxes by keeping busy. Mr. Patton sits on the boards of almost two dozen corporations. He throws himself into civic and charitable enterprises. A member of the blue-ribbon Business Council, he has received Ohio's Governor's Award for outstanding service to the State of Ohio, the Cleveland Medal for Public Service from the Greater Cleveland Growth Association, and the Gary Medal, highest honor conferred by the American Iron & Steel Institute for service to the steel industry.

Next to his family and his company, Tom Patton is devoted to the Ohio State football Buckeyes. He rarely misses a home game.

In a conversation with a NATION'S BUSINESS editor, Mr. Patton discusses insights he's gained in more than three decades in the steel business.

Mr. Patton, you've talked about a need for better communication with government, and once said, "Government is now a partner of business, probably even the dominant partner." What did you mean?

There is hardly a thing you can do in your business life today that isn't affected in one way or another by some government rule, regulation, commission or court decision.

If you want to put out securities, you have to file a registration statement with the Securities and Exchange Commission.

If you want to merge with another company, you have to deal with the Department of Justice.

If you want to do almost anything

in the area of advertising or product promotion, you have to consider the attitude of the Federal Trade Commission. Especially is this true when you have to consider the tax impact of any transaction you undertake. So you must also consider the attitude of the Internal Revenue Service.

Anything you do as a businessman involves you with the federal government. In addition, considering that today the federal government takes over 50 per cent of your income in taxes, I would say it is the dominant partner.

You also have said that the steel industry is persistently watchdogged by the government. Do you mean the government is watching the steel industry more than any other industry?

I have to say, honestly, the steel industry is in the public eye and the governmental eye more than any other industry, and has been for the last 20 years.

Any particular reason for this?

You will recall that practically every labor negotiation we have had has wound up in the White House one way or another. We have had our plants seized by the government and had to go to the courts to get them back.

And frequently, in the past, there would be repercussions from Washington whenever a steel firm increased its prices.

Mr. Patton, what do you mean when you say every company has six publics, and that there is a need for better communication with each of them?

We have our stockholders, our customers, our employees, our suppliers, the government, and residents of the communities in which our plants are located and in which we do business. It is very, very vital to the success of a company, in my opinion, that it carry on fruitful communications with each of these so-called publics.

We have made great strides in communicating with our employees. We have monthly newsletters distributed to them. We have meetings with our employees.

That applies to union as well as nonunion employees?

Union employees, particularly. A striking illustration of how this pays off came when I appeared as the industry witness before the Ways and Means Committee on steel imports last summer.

Sitting at my side was I. W. Abel, the president of the steelworkers union. He was appearing in support of the steel industry and the steelworkers in their efforts to get a bill enacted to restrict imports of steel, which were, and still are, endangering the jobs of the steelworkers and also the financial health of the steel companies.

Are imports becoming a particularly acute problem?

Yes, the most difficult problem facing the steel industry today.

Up until 10 years ago the United States was a net exporter of steel, and, here, last year we imported about 18 million tons of steel and exported only about two million tons. The United States, the greatest producer of steel, is now the greatest importer of steel.

I am very conscious of the fact that freer trade among nations is better for the world. Nevertheless, when a basic domestic industry's very survival is threatened by too big a percentage being taken over by a foreign product, then I think it is in the interest of our nation and its people that some restriction be placed on the tonnage of that product that can be imported.

If a major war comes, God help this country if we don't have a strong, healthy steel industry.

Pollution is a big problem in industry and you have said it is the most politically pressing and exploitable issue of our time. Elaborate on that, please.

In recent years the public and the government have become more cognizant of air and water control.

In our own company we want to do everything we can to improve the quality of the air and water in communities in which we operate. We have already spent millions of dollars toward this end, and are in the process of spending still more millions.

Now this is a job that cannot be done by private industry alone or government alone. We are going to have to have the cooperation of the industries and people in the community, and of the governmental agencies at local, state and national levels. I believe we will get it.

But this can't be achieved overnight. Remember, this has been in the making for almost 200 years. In the next 10 years I predict you will see considerable strides in improving the air and water quality of our country.

Do you think some of the governmental regulations have been too harsh or too severe toward industry in this area?

I'm afraid some people are advocating codes that are too stringent, but I believe that the common sense of the people in government will prevail and that the outcome will be codes that improve the water and air quality of communities, but that are not so severe as to be unreasonable and shut down industries.

You know, if you want to correct the so-called automobile pollution problem, all you have to do is abolish highways. Any such approach as this in industry would be ridiculous. Government and business must work together to find a solution that is reasonable and practicable for all concerned.

Mr. Patton, you have said that businessmen and companies are negative in their relationships with government. Can this be changed?

Well, I think that in the past the over-all attitude of business has often been one of resistance to change, an opposition attitude, if you please. But in recent years there has been a considerable turnabout; business today is taking a more positive approach to government. It actively comes out and supports sound, reasonable laws and sound, reasonable policies by government bodies.

It encourages employees at all levels to participate in governmental activities. For example, in our own company we have 11 employees who are mayors of their municipalities in Ohio and in Alabama.

We are making it a point to know our legislators, to have them visit our plants, to communicate with them to express our views and to visit them in Washington and in the state capitals.

Would you say government and business seem to understand each other better now than when you began your career?

Yes. I have found that contrary to popular belief, there are many, many able, dedicated people in government. They are anxious to know the problems of business and they are anxious to be helpful in a constructive way.

I have found, too, that there are many people in business today who realize business is now a partner with the government. The more communications you have with the government, the better it is for both government and business.

What is this executive program that seems to work so well at Republic?

It's a management program in which we have all of our executives participate. We call it the Republic Industrial Education Institute. In effect, it is a college in industry. We have people at all levels in the company who are being taught the things they need to know to make progress in their own jobs and to be ready to take the next job up ahead when the time arrives.

You have said an "X factor" is one of the keys in business success or failure. What do you look for?

The X factor is that little something special that you find in the human qualities of a corporation. You can have the finest plants and the best raw materials and all of the finances that you can possibly want. But if you don't have the proper human beings to manage so that they will produce income and goods of a quality that can be sold to customers at a profit, you don't have that X factor, that human factor. You have nothing.

Does the executive program help bring this X factor out so that you can spot your up-and-coming leaders?

It certainly does. We can pick out the real comers and give them special opportunities to move forward.

How do you pick young men for leadership roles in the company?

We look for any number of factors in a young man. First, he has to be

Bettmann archive! Inc. Photo.

Photo ret'd to Bettmann 10/20/69

intelligent. Second, he has to be willing to work hard. Third, he has to be reliable. Fourth, he has to be honest. Fifth, he has to have a sense of humor (I consider that very important). And sixth, he has to have an ambition to get ahead in the company.

Mr. Patton, you serve on many boards and are very active in civic affairs. How do you budget your time?

In the first place, I make sure I do my duty to the company that pays my salary. But I might say that in serving on these boards and participating in civic affairs, I feel I am also working for Republic Steel. As I said before, we like to be a good corporate citizen. It's the responsibility of the head of a company to be active in the community in which he lives and to try to give something of himself, his talents, and, yes, even of his money, to further the welfare and well-being of the community.

Similarly, in serving on boards of other companies, I feel I can get a different viewpoint and a broader grasp of what's going on in the world. This has proved useful in overseeing the affairs of Republic Steel.

What are your views on the role of business and businessmen in trying to solve our social problems?

I think the business community is working diligently in helping to solve the problems affecting our schools, the hard core unemployed, the racial problems and the rebuilding of the inner cities. I think the government realizes it needs business cooperation and know-how in this area, so it is turning to business as a helpful partner.

What's the hardest decision you've had to make in your business life?

I have to say it was the decision to accept the settlement between the steelworkers union and the companies after a 116-day strike in 1959. That was a decision which was reached after a number of conferences involving Richard Nixon, who was then Vice President, and Jim Mitchell, who was the Secretary of Labor, on the one hand; David McDonald and Arthur Goldberg of the union on the second hand, and leaders of the steel industry on the third hand.

It was a bitter pill to pay what we considered such a high price, but we accepted it as the best solution to a very difficult situation.

What has been the most disappointing experience in your business life?

Well, I'll have to go back to labor. It was during the 1956 negotiations and I was a member of the industry negotiating team. At midnight on the night our contract expired, we met with David McDonald and Arthur Goldberg, and they declined our final offer and said the strike would begin in one minute.

I must say that tears filled my eyes. I didn't think a strike was justified. I felt we had made a generous offer that would be accepted by the union. After all the days and hours that we had worked together to try to negotiate a mutually-acceptable agreement, it came to an end. It was the most frustrating experience I think I ever had.

Mr. Patton, what quality or qualities would you say contributed most to your success?

Whatever success I have been fortunate in achieving, I would say, comes about because I try to work hard and apply myself to the job at hand. I always try to learn as much as I can about what is ahead and to get acquainted with people who are knowledgeable in various segments of business and of life generally, and absorb some of their wisdom and knowledge. Then I try to apply it to whatever I am doing.

How do you relax?

I play golf; I play bridge; I play gin rummy; I swim a little. I go to Florida for a little while in the winter time and try to get some sunshine.

I love football and I go to see every Cleveland Browns game I can. And I am a very ardent supporter of the Ohio State football team. I make it a point to see most of their home games at Columbus.

In view of everything that is happening today on the college campuses, do you think there is hope for the younger generation?

I am very optimistic about this younger generation. I had the pleasure of serving as a member of the Board of Trustees of Ohio State University for seven years and as chairman for one year. I have been very close to the university and its students in the interim. I must say I think the young people of today on the whole are more alert and smarter and better prepared to meet life than we were in our generation or in any other generation I know of.

Unfortunately, a very small percentage—the fringe—represent the troublemakers. They are getting all of the publicity, and it is bad publicity.

All of the wonderful, fine young men and women who represent the true strength of our universities are, in fact, a great silent majority, and you don't hear from them. They are busy getting an education, which is why they went to the universities.

Is there as much opportunity today for a young man as when you began working?

Much greater opportunity. People now realize that you don't have to be

an old man to be an executive. So the young man has a much better chance of early success in getting ahead than when I started.

Mr. Patton, if you were starting all over, would you do anything differently?

I can't say I would do anything basically differently. If I were in school again I would take some courses that I didn't take originally, particularly additional courses in accounting and economics.

I have been blessed with good health. I have been blessed with a wonderful wife and two wonderful children. I have liked what I have done all my life. I like living in Cleveland and, honestly, I can't say that I would do anything of a material character differently than I've done as I have gone through life.

Do you regret not becoming a trial lawyer?

No. A good many people thought I was making a mistake in 1936 when I was leaving the law. They thought I had a promising career ahead of me. But I have never regretted it for one minute.

I have enjoyed my association with Republic Steel and with the steel industry.

What is the steel industry's future?

Well, as you know, it is the very backbone of our American society and has provided the wonderful standard of living that we enjoy in America. Steel has been the basic metal upon which our entire civilization has been built. It will continue to be that, world-wide.

I think the industry will grow as the requirements of the country grow and our population increases. It may not grow as fast as some other industries, because it is older than most industries and they will naturally grow faster; but it will grow with the growth in our gross national product as our requirements demand more steel. It would be a bad mistake to sell the steel industry short.

Will there be any new uses of steel?

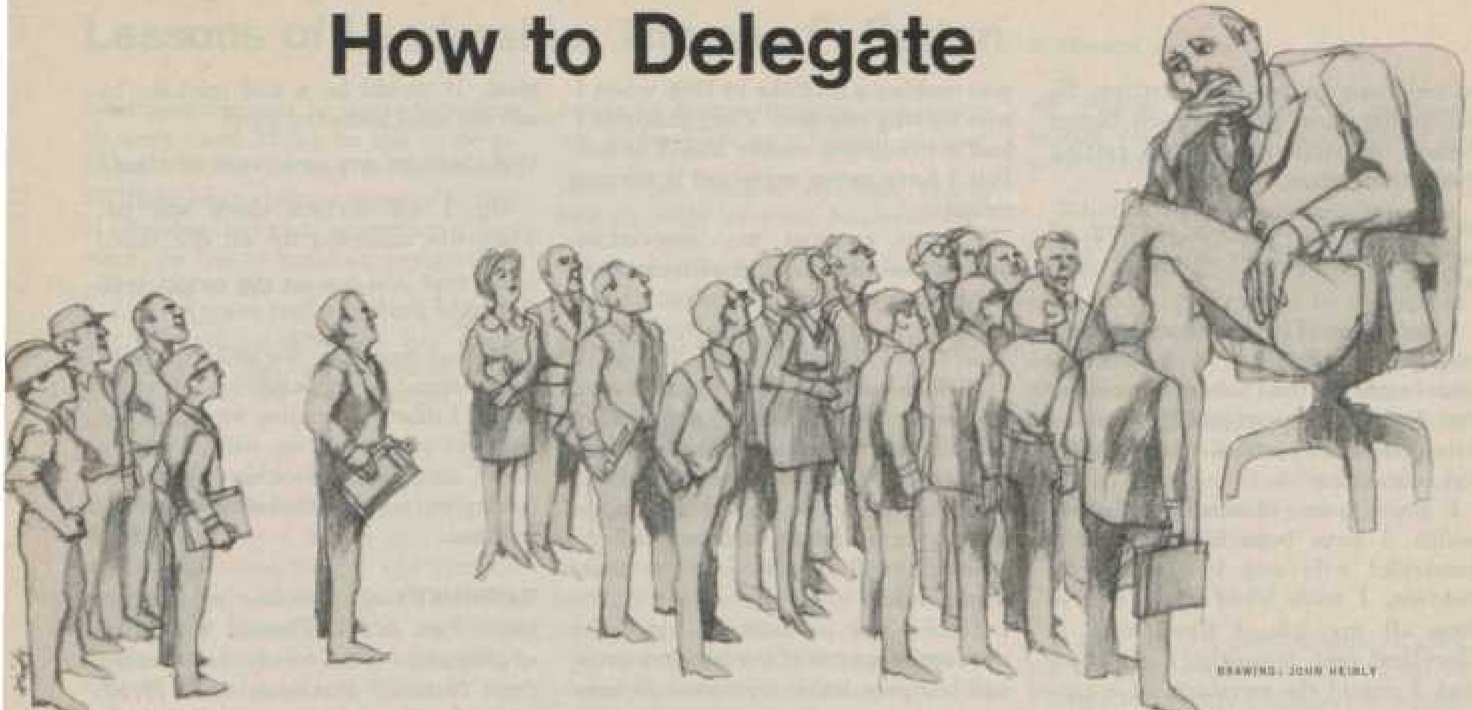
Oh, I am certain there will be. They are cropping up all the time.

If we find iron ore on the moon, will Republic build the first plant?

If that happens, we will certainly have somebody evaluating it right away. I don't guarantee we will build the first plant, but we will promptly have somebody looking into the feasibility and profitability of such a venture. END

REPRINTS *of "Lessons of Leadership: Part LIII—Thomas F. Patton of Republic Steel" may be obtained from Nation's Business, 1615 H St. N. W., Washington, D. C. 20006. Price: 1 to 49 copies, 35 cents each; 50 to 99, 30 cents each; 100 to 999, 17 cents each; 1,000 or more, 14 cents each. Please enclose remittance with order.*

How to Delegate



Three keys open doors to bosses who don't want to do it all themselves

How you delegate is as important to business success as delegation itself.

But seldom do the advisers who encourage the executive to delegate tell him how to go about it. A knowledge of the basic hows is essential.

The keys to successful delegation are three: Know what and how much to delegate, delegate in depth and communicate effectively.

The first key lies in the fact that any executive-level job includes many secondary and detail operations. In determining what and how much to delegate, the executive must start by analyzing his job and breaking it down into fragments small enough that the detailed decision-making can be distributed among his subordinates.

Application of the second key calls for careful selection of the people to whom you will turn over major responsibilities. Having determined the nature of the decisions and actions involved in your job, you match those as closely as possible to the types of personalities available to take them on.

A basic pitfall is playing it safe by limiting opportunities to accept new responsibilities only to those who are well known to be able to carry them out. It is better to rotate responsibilities, both by size and by type, among all those available until you have carefully defined the limits of each person's ability under different circumstances.

This means that you must be willing to allow others to make mistakes which are eventually blamed on you. More than that, you have to encourage those people to run the risk of making those mistakes and, when they happen, charge them off to experience. However, the general rule should be to expect success in such an assignment until you actually are let down. Then, you attempt to analyze the failure and learn from it.

Questions that arise

Delegation at the lowest level where the job can be done will raise some questions:

1. How do you know a particular person is qualified to take on the responsibility? Chances are, if you have correctly analyzed the task to be delegated and have correctly picked the level at which responsible action can be taken, the person occupying that position will have the ability to take on the job or he wouldn't have been hired in the first place.

Too often the delegating executive tries to minimize the risk by setting the requirements and qualifications much higher than necessary.

In selecting any man for any job it is easy to fail to distinguish between those qualifications that are essential at the start and those that can be acquired quickly once the man is involved in the work. The tighter you draw your initial specifications the more likely you are to have to compromise on your final selection.

As one expert on management points out: "You'd be surprised how many different individuals can handle the same job well."

It is also well to remember that if the people in an organization never made mistakes, never forgot or overlooked anything, or never got into each other's hair, there would be no need for managers, superintendents, department heads, or foremen.

2. What about the intermediate supervisor? No top man can afford to bypass his assistants. Skipping over a supervisor to deal directly with a man under him nullifies the supervisor's authority. If this occurs often it will become impossible for that supervisor to do his job. He cannot retain respect or control of his workers when they feel that they can deal directly with the big boss any time they want.

Delegation in depth can usually be accomplished easily if the top man

enlists the aid of the second-line supervisor early. It may, in fact, be the quickest way for the boss to locate the actual worker who can take over responsibility.

It is a relatively simple exercise in human relations for the boss to ask a department head for details of how an operation is conducted, who conducts it, and then ask for the supervisor's suggestions as to how it might be conducted better.

At the appropriate time, the boss can suggest that the specific worker be called in for his views. Usually, both the worker and the supervisor will be found willing to volunteer to assume a responsibility that will keep work moving.

If not, a simple question from the boss, "Well, who do you think is the best person to see that this job actually gets done?" will usually trigger the answer he had in mind in the first place.

Frequently, either the supervisor or the worker will come up with a better idea than the boss himself had. In this case, a smart manager recognizes the idea and gives some praise for it immediately.

The true leader must be able not only to welcome the ideas of others, but also to plant his own ideas in their minds and to compliment them on their ingenuity.

Working through the second-line supervisor to accomplish depth-delegation offers an added advantage. It will make the supervisor conscious of the value of delegating. Workers usually look to the top man for examples to follow, as well as for excuses for their shortcomings. The boss who sets good standards can expect these ultimately to be reflected in the work of those under him and also to result in a follow-the-leader philosophy among subordinate supervisors.

The third key

Applying the third key, communication, the boss must take the time and have the necessary patience to communicate his wants completely. When an executive assigns part of his job to another, that person has a right to know exactly what is expected of him. He should know what the boss thinks the job should be; what he expects in the way of performance. The scope of authority should be clearly defined and the man should know exactly what decisions he is expected to make and how much authority he has to make them.

Higher authority also must provide, on a continuing basis, such operational items as cost control figures, progress control facts and parallel reports for other operations involved in the over-all function.

Such a specific delegation policy works as much for the boss's protection as the worker's.

It is only human for a man's ambition to grow with the taste of success, and a worker who is unaccustomed to authority might be tempted to exceed the limits which the boss intended.

Job changes the man

Moreover, a job can change the nature of a man. Even limited exercise of authority will cause decision-making ability to grow. The precautionary consideration is that once a man does begin to develop ability the boss must keep the channels for growth open and the opportunities ready.

Communication must also be two-way. There must be a clearly defined feedback channel through which the person who accepts your decision-making authority can get back to you.

You should, for example, know every time a critical point has been successfully passed. You should be informed, in advance, of expected trouble and immediately of unexpected trouble.

If you have really delegated and meant it, the news that something has come unstuck should be accompanied by the information as to what is being done about it. Your job, then, is to review the action, and to approve, modify or change it on the basis of your more extensive experience and familiarity with the larger picture.

This built-in operational feedback is summed up by one manager who says:

"When I put somebody under me in business for himself, I make it a

How to Delegate

continued

point to tell him that the one thing I do not like is a surprise. He knows he has as much freedom as he needs but he will be in big trouble if he ever surprises me—even with something good."

Once the man knows what is expected of him, it is essential to let other people who will be affected by your delegation know about it. Merely telling a subordinate or line worker that you want him to take over a decision-making function will not, automatically, give him the authority to act in the eyes of those who have been accustomed to coming to you for such authority.

The decision-making prerogative must be definitely and publicly conveyed or your man won't have a chance.

Taking all possible pitfalls into consideration, together with the initial added burden of carrying out a large-scale policy of delegating, a manager can reasonably be expected to wonder whether the game is worth the candle. The pros and cons of delegating come down to this: The executive, to be an executive, must delegate. When an executive does a job or performs a function himself, he is not managing. Management is planning the job and getting it done.

Primary responsibility

When a manager has delegated all possible details of his job, he should find himself with more time for his primary responsibility of planning.

If he delegates and trains in depth, daily operating decisions should not reach him.

The necessity of constantly checking and double-checking other people's decisions should eliminate itself.

You can also expect more enthusiasm for their jobs among lower level employees who have been given the opportunity to obtain the satisfactions that come with successful handling of responsibilities.

—JOSEPH G. MASON

REPRINTS *of "How to Delegate" may be obtained from Nation's Business, 1615 H St. N. W., Washington, D.C. 20006. Price: 1 to 49 copies, 35 cents each; 50 to 99, 30 cents each; 100 to 999, 17 cents each; 1,000 or more, 14 cents each. Please enclose remittance with order.*

The Difference Is the System

PHOTO: PIX

It may be easy go for Moscow shoppers, but it isn't easy come.

After less than an hour on the job, an American production worker has earned enough to buy a pound of beef, a dozen eggs, a quart of milk, a loaf of rye bread, a pound of sugar and a package of cigarets.

But his Soviet counterpart in a Moscow factory must work six times longer to pay for the same items.

The American can earn the price of a suit in less than three working days, a shirt in an hour and 42 minutes. The worker in Moscow needs more than four and a half weeks' pay for that suit, more than a day and a half on the job to add the shirt.

A woman working in a production job in this country works less than six hours to make enough to buy a dress, stockings and a lipstick. But if she suddenly found herself on the same job in Moscow, she would have to work 10 times as long before she made enough for the same commodities.

Those, and similar, revealing comparisons compiled by the National Industrial Conference Board are being circulated in a pamphlet prepared by America's Future, Inc.

In comparing the relative buying power of U. S. and Soviet workers, America's Future comments:

"In a competitive marketplace, the consumer is king; he determines by his preferences what will be produced. He rewards the efficient manufacturer by purchasing his products. Competition weeds out the inefficient producers and rewards the progressive manufacturers and merchants with the incentive of profit.

"You can own a share of business and industry, you can participate in business profits in the form of dividends and interest. You can go into business for yourself. You can invest your own savings in business ventures and in real estate for income-producing purposes.

"More than 20 million Americans share in the ownership of American business and industry.

"In a planned economy, the state decides what will be produced and when. Competition between producers is eliminated. The consumer can buy only what is allocated for him by the planners. Products are shoddy, as producers do not have to compete for the market. Profit, as an incentive to produce more or better products, is nonexistent.

"The state owns and controls all industry and business enterprises. You, as an individual, cannot participate in business ownership or share in business profits. The holding of real estate for gain is prohibited. Not a single Soviet citizen has any ownership rights in Soviet industry." END

business: a look ahead

FOREIGN TRADE

The battle over oil import limitations is stirring rising controversy about the role of foreign trade zones.

These are specially designated areas where goods from abroad are not subject to duties while they remain within the zones or are processed and further exported.

Crude oil or imported steel ultimately would be subjected to duties if they passed from the zones into the country, but under different tariffs if processed as refined petroleum or steel ships.

A proposal to establish a zone at Machiasport, Maine, is opposed by domestic producers as an attack on oil import limitations, and the Tariff Commission has taken a dim view of the principle of foreign trade zones. Others, including Chairman Emanuel Celler of the House Judiciary Committee, feel use of the zones should be expanded.

There are some 100 such zones worldwide. Those in the continental U. S. include New York, New Orleans, San Francisco, Seattle and Toledo.

AGRICULTURE

Success of a new tactic leads agricultural researchers to hope that eradication of the boll weevil may be possible in the distant future.

Much research has been concentrated recently on both the boll weevil, which plagues cotton, and on means of reducing reliance on pesticides, particularly those leaving persistent, nondeteriorating residues.

Encouragement comes from a test of trapping the boll weevil in which males were placed in traps as bait, attracting large concentrations of weevils of both sexes. Experiments with trapping in the past have been limited to the laboratory or to restricted field conditions, whereas the recent test—on 40,000 acres in the high plains area of Texas—was the first under normal growing conditions.

Most weevils are knocked out by application of insecticides during the fall, when they are most susceptible because of body changes that take place before the winter season.

Trapping is designed to attack the weevils which survive the insecticides.

CONSTRUCTION

In not too many years, all 50 states will have comprehensive, state-wide building codes in effect.

That's the flat prediction of a Washington official involved with the work of the National Conference of States on Building Codes and Standards.

And the trend is toward comprehensive codes, covering plumbing, heating, electrical work and general construction.

Since the National Conference began work in 1967, a number of states have enacted mandatory or voluntary codes covering various aspects of construction. Connecticut's is regarded as the strongest to date. There's pressure from government, including the Department of Housing and Urban Development and even the Department of Transportation, which insists that people displaced by road construction get decent replacement housing.

There's pressure also from business anxious to avoid the complications and confusion arising from conflicts in requirements of different areas.

The emergence of manufactured housing, which requires mass markets to be economically feasible, creates pressure for national standards to insure acceptability of the product.

CREDIT AND FINANCE

Some easing of short- and long-term interest rates is in prospect for early next year.

One Washington source, assuming a continued slowdown or leveling off of business activity though not anything like a recession, cites several factors:

In the short-term market, the Treasury will be paying off debt early in the year, tending to add to the supply of funds available. Also, leveling off of business should reduce the demand for short-term funds to finance inventories.

The same source sees continuing flows of funds into savings institutions, adding to money available for long-term mortgages and lowering rates a bit.

MANUFACTURING

The plastics industry is predicting vast expansion in applications for plastic products, with some spokesmen talking of a plastics era.

An estimated 6,000 companies now manufacture, process and fabricate plastics, representing a work force of 200,000 people and a payroll of more than $1.5 billion a year.

Plastics increasingly find such diverse uses as in heart valves, as boat and aircraft components, in construction, even as an art medium. One industry official says: "It is reasonable to hope and expect that plastics used in construction will at least quadruple in the next 10 to 15 years."

A sign of the times: a trade publication gave extensive exposure recently to a manufacturer who has switched over from metal stamping to plastics fabrication.

MARKETING

An institutional PR campaign for agriculture?

Maybe nothing that fancy, although farmers and agribusinessmen see the need for some major effort to acquaint the public with the realities of agriculture.

Example: The Washington State Wheat Commission is helping finance an economic input-output study of the state to identify the dollars-and-cents importance of agriculture in the over-all picture. The Commission's interest is in developing improved data to win sympathetic understanding from urban forces increasingly dominant on the political scene.

Such a campaign might have the effect, for example, of heading off great reliance on property taxes in the future, based on understanding that farmers have a high property investment in relation to income.

NATURAL RESOURCES

Some new thinking is beginning to take hold in Washington on policies for combatting water pollution.

In the past, policies have been directed mainly at identifying individual contaminants and seeking across-the-board controls. Critics have contended such controls are well-intended but don't necessarily work.

Now, support is growing in Washington and elsewhere for a different approach—that of making an intensive diagnosis of the actual condition of a body of water, of all factors bearing on water quality, and then working back to find the pollutants and do something about them.

Such an approach has been developed by a joint committee of five states and federal representatives on the Lake Erie basin, and parallels thinking of some Ohio Congressmen and a key House subcommittee on natural resources.

Michigan consultant John E. Kinney remarks that the joint committee developed a realistic basis for a comprehensive water management plan for Lake Erie that could well serve as a model approach for use elsewhere.

TRANSPORTATION

The ability to think small may help many communities to stimulate business through access to air service.

The service comes from commuter air carriers, which now serve 359 cities, according to the National Air Transportation Conferences. One hundred and ten would have no service without commuter carriers.

Thomas S. Miles, president of the trade group, estimates that commuter service can expand to serve thousands of communities on a scheduled basis. Key to the service is planes smaller than those used by regional carriers, not to mention giant jets used by trunk lines.

Earlier this year, Spencer, Iowa, with a population of only 8,864, signed an agreement with a commuter line for round-trip service seven days a week to Minneapolis-St. Paul. Local business groups have a big stake in such service. As a small-town airport authority official notes: "One of the first things a prospective company asks is, 'Do you have scheduled air service?'"

Hav

THIS MONTH'S GUEST ECONOMIST

By Jac Friedgut
Vice President
First National City Bank
New York, N. Y.

COMMUTERS AND CITY INCOME TAXES

Commuters' importance to the economic base of cities is well known. According to one study, they account for close to two fifths of personal income in Cincinnati. In New York and Philadelphia, about a quarter of wages and salaries goes to them.

More than 170 cities and numerous smaller towns levy personal income taxes. They are predominantly in the quadrant of the U. S. that includes New York, Philadelphia, Pittsburgh, Detroit, Louisville and Cleveland. To the west and south, income taxes are not imposed by cities, with a few exceptions such as St. Louis and Kansas City, Mo., and Gadsden, Ala.

Nearly all cities with income taxes levy them on nonresidents, though in some, nonresidents are taxed at a different rate. While New York City residents pay on a graduated scale running from 0.4 per cent to 2 per cent, commuters pay a flat 0.25 per cent. In Detroit and other Michigan cities, the resident rate of 1 per cent is halved for nonresidents. And when a commuter's income is taxed by the community where he lives, he may be entitled to a credit against taxes in the community where he works.

The nonresident argues that a commuter levy is taxation without representation. Meanwhile, his own suburban real estate taxes rise. In addition, he is subjected to ever-increasing state taxes, part of which are used by the states to help meet city problems such as welfare.

Besides, the commuter's employer is being taxed by the city. If nonresidents staged a mass boycott and quit their jobs in the city, the affected firms might move, contract in size, or even go out of business, with corresponding reductions in the city's tax take. Actually, it is unlikely commuters would cut off their noses to spite their faces, but the resentment is there.

Businesses are concerned. When New York's Mayor John Lindsay proposed a graduated city income tax on residents and commuters alike, the New York Chamber of Commerce argued: "It does not appear reasonable to subject these non-New York residents to the heavy burden which would result from a progressive-rate local income tax."

However, both the Chamber and the New York Commerce and Industry Association would have gone along with a payroll tax (about 1 per cent). As it turned out, the commuters, with a flat 0.25 per cent rate, did better than expected.

The arguments advanced by the cities generally revolve around those benefits they allegedly provide for the commuters and for the surrounding region as a whole.

As an example, the $6.1 billion expense budget for New York City for the 1969 fiscal year was allocated something like this:

Program	*Per Cent*
Human resources	25.5
Education	24.3
Health services	11.2
Debt service	11.1
Administration of justice	9.3
Fire protection	3.7
Environmental protection	3.6
Transportation	3.2
Recreation and culture	1.9
All other	6.2
Total	100.0

Of these items, the commuter clearly benefits directly from programs accounting for 21.7 per cent of the total: administration of justice (police), fire protection, environmental protection (air pollution control, etc.), transportation, and recreation and culture.

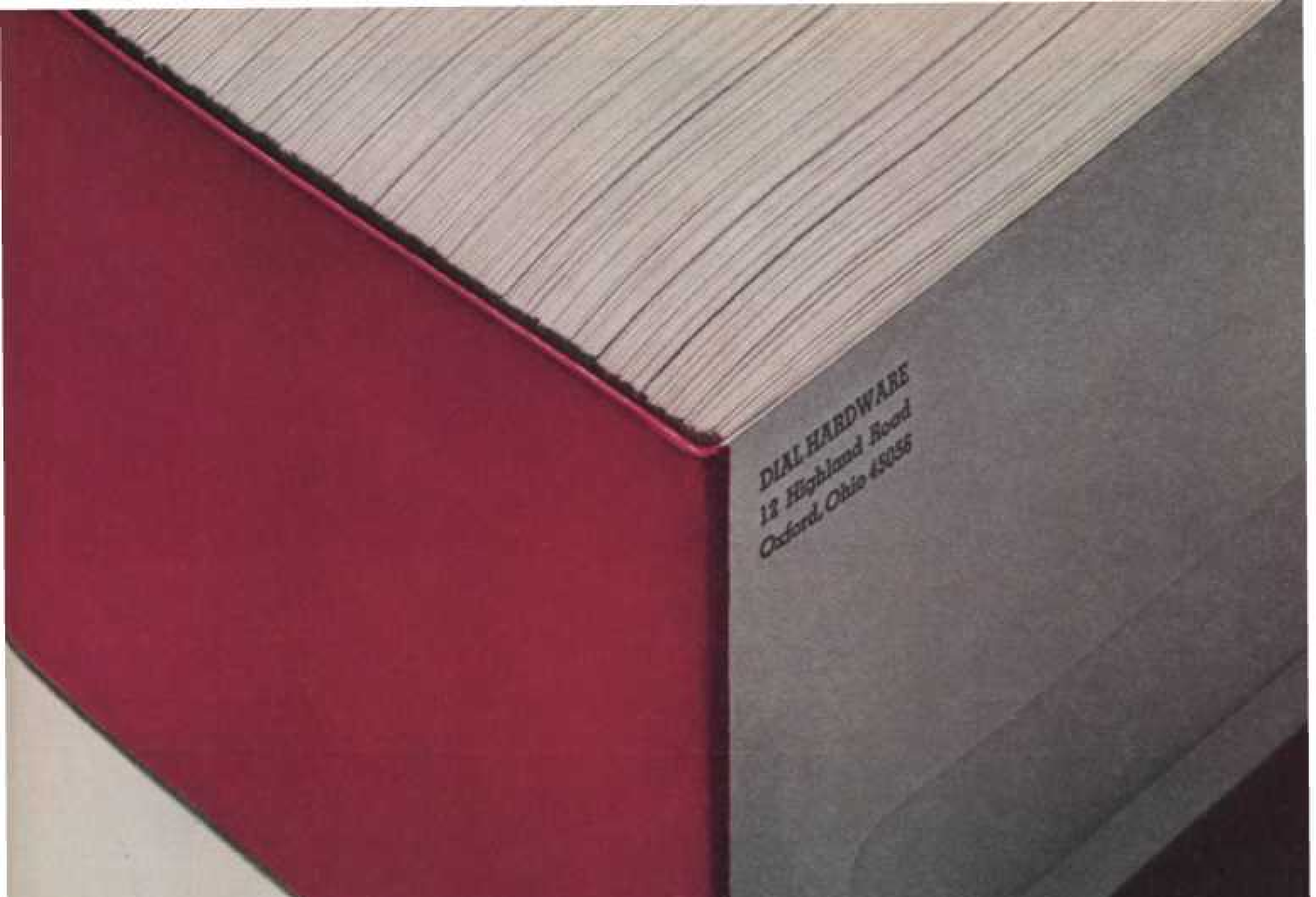
As for health services, the amount of benefit is not clear. Commuters generally cannot qualify for free services at city hospitals. On the other hand, if city health officials prevent a major epidemic, they provide an invaluable service to nonresidents.

Debt service, likewise, is a mixed bag. Paying off capital improvements on traffic control should be of direct interest to the commuter. However, he might feel less responsibility for servicing debt on school construction.

In the "all other" category, the commuter could be said to benefit from some expenditures, such as those for economic development (0.1 per cent). However, he is not the immediate beneficiary of others, such as housing (0.4 per cent).

The commuter is not involved directly in two major categories which account for virtually half of the city's budget: the human resources (welfare and welfare-related) and education programs. However, at least in theory, these programs are of some indirect benefit to him in that they aim at upgrading the quality of life which constitutes his working-time milieu.

One fact is clear. As urban burdens grow, with the disadvantaged concentrated more and more in the inner areas, cities will need substantial fiscal help. The magnitude of the problem—and the help required—goes far beyond the question of taxing commuters. It is a problem of national scope, and will require basic restructuring of federal-state-local fiscal relationships.



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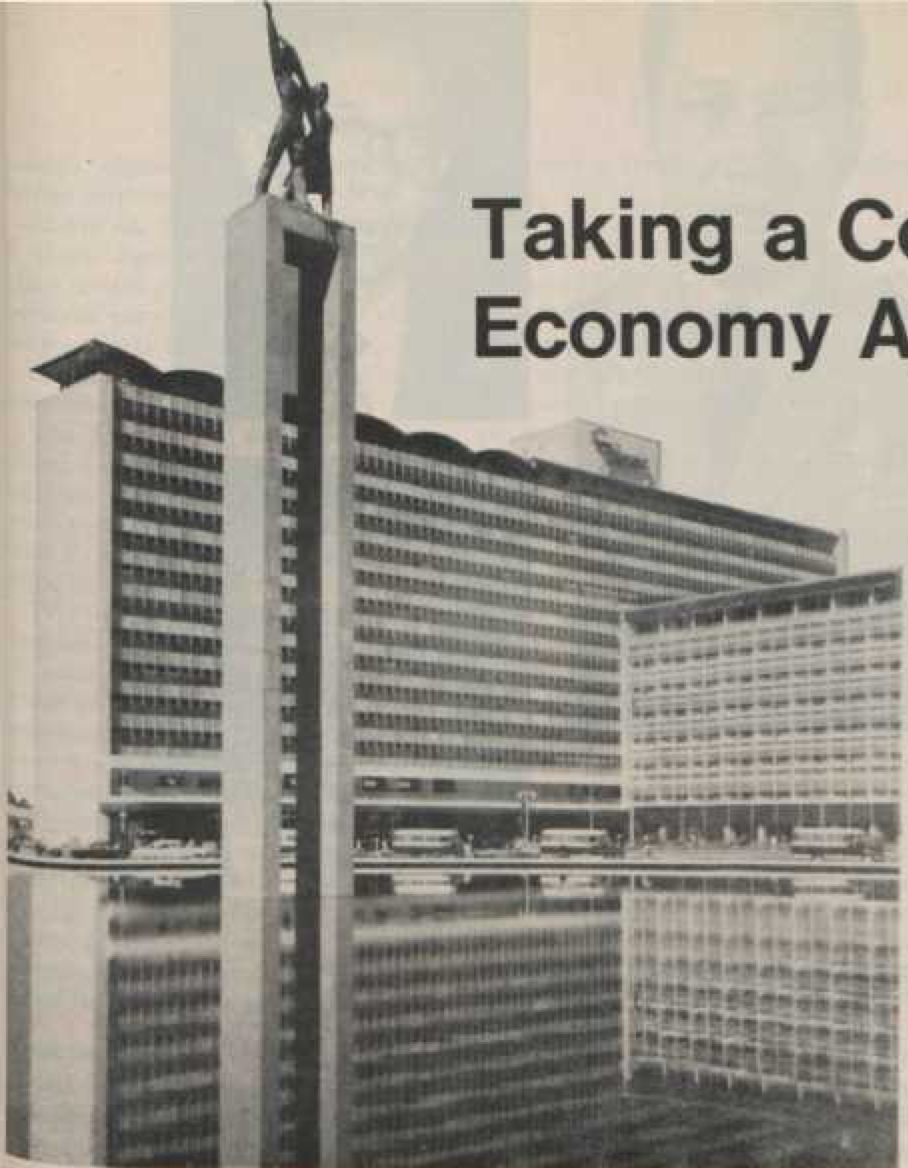
Taking a Communist Economy Apart



All art work ret'd to Indonesian Embassy 10/9/69

Inter-Continental Hotels, a Pan American Airways subsidiary, runs this Djakarta hotel for the Indonesian government. Things are running very smoothly, indeed. Average occupancy: 94 per cent.

Tom 10/31/69

Indonesia, after throwing out the Reds, is reverting dramatically to competitive enterprise

DJAKARTA, Indonesia—Electric lights flicker on hot, steamy nights in Djakarta, but power plants are more reliable than they ever were when the communists ran them.

The telephone system is tired and old, and it takes from five to 25 dialings to get a call through to the correct number. A call between cities on different islands in this island nation seldom gets through at all. But the system is better than it was in Sukarno's time. A Soviet-sponsored steel mill stands rusting and half finished in West Java now that Russian technicians have all gone home. But a U.S. company may revive it.

Djakarta, Surabaja and other cities are dusty and their streets are filled with peddlers and homeless sleeping men. Coconut husks and other trash litter roads. But dead animals no longer are allowed to lie about in the sun.

A man can start a little business once again and large companies operate unmolested, allowing free markets to determine price, supply and demand. Forty-eight foreign companies have gotten back expropriated Indonesian properties. New companies are moving in from the United States, Australia, Japan and Western Europe, and twenty-nine international oil companies are searching for black gold.

Obvious changes have taken place in this lush, bountiful land since Sept. 30, 1965, when Indonesia's huge Communist Party failed in its bloody attempt to destroy the Army and remove the last barrier to total control. The charismatic dictator, Sukarno, a willing dupe of the communists, began the long fall from power that day. The way was free for the military regime of Gen. Suharto to begin taking the communist economy apart.

(Though Indonesia's economy was

One of the most significant political-economic stories of our times is taking place in Indonesia—the unraveling of a communist economy and political structure. Nation's Business sent Associate Editor Sterling G. Slappey there to report on the event.




Ali Wardhana of the "Beautiful Berkeley Boys" (above), Gen. Suharto, economist Soemitro Djojohadikusumo (above, right) and the Sultan of Jogjakarta.

Taking a Communist Economy Apart *continued*

not communist in Sukarno's early years at the helm it was, for all practical purposes, at the time of his fall. Sukarno, who talked of his NASAKOM concept of government—NA standing for nationalism, SA for religion and KOM for communist—may not have been an active Communist Party member, but he was making the classic communist moves. It is now established that he knew about and approved of the communist attempt to destroy the Army.)

It's never happened before

No communist country has ever reverted to a private economy and the path Indonesia now blazes could be followed some day by Cuba and nations of Central Europe.

Problems remain to be solved before Indonesia becomes a democratically governed nation but the reinstallation of capitalism has come along well and three key conditions for a bright future exist:

- Suharto is in control and the Communist Party is obliterated. Half a million party members have been slaughtered by the Army and Sukarno is a broken old man under house arrest, deprived of his high and mighty titles and any influence.
- Economic advice given the new regime by Indonesian economists who studied at MIT, Harvard, Cornell and the Universities of California and Wisconsin has been startlingly effective. A private enterprise economy functions, now that thousands of government controls have been struck down.
- Foreign nations, with the United States contributing a third of the money, are underwriting Indonesia's expenses until reforms are fully effective. President Nixon, on his recent trip to Djakarta, promised a further increase in American assistance.

Indonesia began clawing her way out of a communist grave and back into the sunshine soon after the communist coup four years ago. The first move by Suharto, who like Sukarno and many other Indonesians has only one name, was to call advisers for *musjawarah*.

That's an Indonesian word which means to deliberate before making an important move.

"Much jawing," as foreigners mispronounce the word, was held at the general's private home—not at his ceremonial residence, Merdeka Palace, for that would have smacked of the flashy Sukarno, who thought of himself as emperor.

Suharto and Gen. Abdul Haris Nasution represented the Army and power. Western-oriented Adam Malik and the Sultan of Jogjakarta dealt with foreign and internal affairs. Widjojo Nitisastro, who lived on the thin edge of Sukarno's sword because he was anticommunist and American-educated, was the economics specialist. Others represented the Moslem faith and students' groups which helped overthrow Sukarno.

What had to be done

During *musjawarah* it was determined that inflation, which then raged at the fantastic rate of 635 per cent a year, must be brought under control and that the price of rice, in particular, must come down immediately in order to keep the people following the new leaders. Then there must be a big show of economy by quickly stopping Sukarno's wild government spending on statues and elaborate sports arenas, and on un-

needed skyscrapers and expensive Soviet war vessels.

Above all, the new regime decided it must dismantle communism, replace it with private enterprise, bring business people back into the economy as participants.

Could results be shown in time to keep mobs off the streets?

The Army would keep the people quiet, Gen. Suharto promised, but, he then asked, where in Indonesia were there enough economists to install a capitalistic system and at the same time fight inflation?

Widjojo had just the group—90 Indonesians ranging in age from 30 to 60, each with Masters or PhD. degrees in economics from American universities. The Indonesians had been trained under a tremendously successful $5 million Ford Foundation program during the late 1950's and early 1960's which sent the country's brightest students and teachers of economics to the United States for graduate work and brought American professors to the University of Indonesia economics faculty.

Practicing preachings

The group was ready, thanks to America.

Few Indonesians had heard of Widjojo's "Beautiful Berkeley Boys," so named because most of them had studied at the University of California at Berkeley.

Under Sukarno they had lived dangerously—meeting every Sunday in secret, playing down their beliefs in private enterprise while teaching at the university, maintaining discreet contact with the Army and student groups because these were the only two bodies in Indonesia which could someday overthrow Sukarno's communist friends.

Sukarno had known about them, but the press of other business diverted him from destroying them.

Suddenly these economists, led by Widjojo, Mohammed Sadli, Emil Salim and Ali Wardhana, were being called on by the new regime to practice what they had always wanted to preach—capitalism. They were handed the economic carcass of the world's fifth largest nation—home for 115 million people—and told to bring it back to life.

It was a terribly exciting assignment.

Some government ownership

Members of the group met with Gen. Suharto and told him they knew what to do and how to do it. Their plan was that the government should continue to own utilities, railway and airplane systems, gas and oil distribution and a few other bits and pieces, but otherwise should follow the private enterprise route. There would be few government controls, and sweeping denationalization.

"Be quick; we haven't much time," was Suharto's comment.

Then the general sent word to another Indonesian economist, Soemitro Djojohadikusumo, to come home from exile. He sent word to Mochtar Lubis that he would soon be out of jail and running the influential newspaper *Indonesia Raya* once again.

Soemitro, the first leader of the Ford Foundation program, had led an abortive rebellion against Sukarno in mid-1950 and had fled to Japan. Lubis spent five years in jail because he persisted in telling the truth in his paper about Sukarno—he never held back from calling Sukarno a communist and moral degenerate whose vanity and craving for sex were manias. Gen. Suharto knew a free and critical press was needed.

Inflation deflated

Soon after the "Beautiful Berkeley Boys" went to work on inflation the rate began to drop—from 635 per cent to 120 in 1967, to 85 per cent early in 1968, and to the 25 per cent rate of today.

Moving apace with the fight against inflation was a battle within the new regime over how to dispose of Sukarno. Some Army men wanted him killed off forthwith. But Suharto refused to play the role of a Cromwell executing his king. He elected to downgrade Sukarno through delicate maneuvers which slowly, steadily and skillfully disgraced the diseased old dictator.

As the inflation rate began to drop, the United States and other nations agreed to reschedule payments on $2.4 billion in foreign debts which Sukarno had run up. Indonesia owed $750 million a year in principal and

Taking a Communist Economy Apart

continued

American banking now can flourish in Indonesia. These are Chase Manhattan (right) and Bank of America branches in Djakarta.

interest on those loans and she was taking in only $450 million in foreign exchange, which meant she went further into debt every day. Sukarno had repaid loans and interest by borrowing anew each year.

The economists slashed government spending to get a balanced budget. They laid out such sound economic plans that foreign nations offered to supply enough money to keep the country afloat.

World Bank officials began meeting weekly with Indonesian leaders to decide which projects needed funding first. It was decided that roads, harbors, airports—those things the specialists call infrastructure—needed immediate attention. Agricultural projects, especially rice growing, also were given top priority.

With inflation slackening and Indonesia's economic flanks protected by old and new loans from abroad, the economists turned to unraveling communist levies, controls, methods of operation and commercial practices. They struck down laws and restrictions on private investments by the thousands.

Entrepreneurs' revival

Next step was called "The Revival of Entrepreneurs." The government began encouraging people to start small businesses or to take over state-owned ones. Former owners of businesses were located and given them back.

In Djakarta alone, 2,000 small exporters and manufacturers received government loans for up to 75 per cent of what they needed to resurrect or rebuild enterprises. Tax collections were delayed to reintroduce capitalism. Joint ventures were created between government and company with the company getting tax concessions and favored treatment of various kinds.

Government agencies which controlled businesses during the Sukarno era began disappearing, or were diverted to other government work. In this way the government payroll was reduced, though the huge and inefficient bureaucracy created by the communists still isn't of a reasonable size.

Suharto went shopping again for more foreign aid and on the suggestion of his team of economists, he sent word abroad that opportunities for foreign companies were going begging in Indonesia.

This was heady bait and businessmen began snapping at it.

Then the country set up investment incentives that are among the most liberal in the world—so liberal that several American companies are reducing operations in the Philippines and setting up shop in Indonesia.

The country needed Western banks and soon the Bank of America and Chase Manhattan placed branches in Djakarta. The Indonesian territory of West New Guinea holds great natural resource treasures and Freeport Sulphur is moving in to extract copper. International Nickel will mine nickel on Celebes. A Russian hydroelectric complex on Sumatra needs completing and Western companies are having a look.

Getting someone to complete the Soviet steel mill in West Java was a main objective and today Granite City Steel Co. is negotiating on the project. Inter-Continental Hotels operates the big Hotel Indonesia in Djakarta and another posh hostelry on Bali. Fifty foreign firms have timber leases. American, Dutch, Australian and Japanese firms are discussing building cement and fertilizer plants on the islands of Sumatra, Java, Celebes and Borneo. ITT has completed a ground satellite communications station.

Historic hunt for oil

About $400 million is being spent in foreign business investments, not including money lavishly laid out in the search for oil. One of the largest oil hunts in history is taking place in the Java, Banda, Arafura and South China seas, and on a score of the 2,500 islands which make up Indonesia. Twenty-nine exploration companies are testing or drilling and three have already brought in commercial quantity wells. Sinclair has probably discovered an entirely new off-shore field north of the city of Surabaja. Caltex

has increased production at its established field in central Sumatra to 700,000 barrels a day.

The upsurge of foreign investments in Indonesia is based squarely on the fact that Suharto and the economists did precisely what they promised—that is, decommunize subsidiaries of 48 large foreign companies expropriated during 1964 and 1965. The companies have been returned to their rightful owners. Without this key move there's little doubt that foreign companies would have turned their backs on Indonesia.

American firms in the group included Union Carbide, National Cash Register, Singer Sewing Machine Co., two Goodyear Tire and Rubber Co. subsidiaries, United States Rubber Co., International Flavors and Fragrances and American Foreign Insurance Association. Others returned included British, Belgian, French, Australian and Malaysian companies. Few Dutch companies were involved because Indonesia under Sukarno negotiated a purchase deal for Dutch properties tied in with nationalization.

Means to an end

One means used to justify returning a company has been for the government to declare that unions illegally seized the company from its rightful owners during Sukarno times and that the seizure has been nullified. Another way has been to claim that ownership was never transferred to the government, but that it only claimed supervisory powers, and now is relinquishing them.

Such devices are simply Asiatic attempts to save face and still get a job done.

The only two foreign firms whose properties were never taken over were Caltex and Stanvac, both U. S. oil producers.

(Stanvac was due to disappear as a private company in 1965 but the failure of the communist coup saved it. Caltex was saved when General Manager Julius Tahija outsmarted Sukarno. He told the dictator that he could forcefully seize Caltex fields and installations but that Caltex would sue every oil tanker owner the moment his ship passed into international waters carrying Caltex oil.)

(For weeks Tahija and his wife faced arrest, and kept packed suitcases in their car's trunk for use if they made a run for it. Not until the new government took over did they feel safe again.)

The decommunizing process

Generally speaking, few restrictions are placed on foreign companies returning to Indonesia or arriving for the first time.

The government does ask the company to sell shares of stock on the Indonesian market, employ as many Indonesians as possible, train Indonesian workers and not locate—if possible—on the terribly overcrowded island of Java.

Most companies would do these things anyway.

Moving step by step with decommunizing of business has been decommunizing of international affairs.

Adam Malik and the Sultan of Jogjakarta reversed Sukarno by cutting diplomatic ties with Red China, stopping a pointless war with Malaysia, ordering Soviet and other communist embassies to stop meddling in internal affairs, bringing tens of thousands of Indonesian communists to trial, welcoming American aid—which now runs to $200 million a year—and having Indonesia resume its seat in the United Nations.

The situation for Indonesia looks promising, but there are these dark spots:

The Suharto regime is not exactly popular (military regimes rarely are), though it isn't particularly unpopular either.

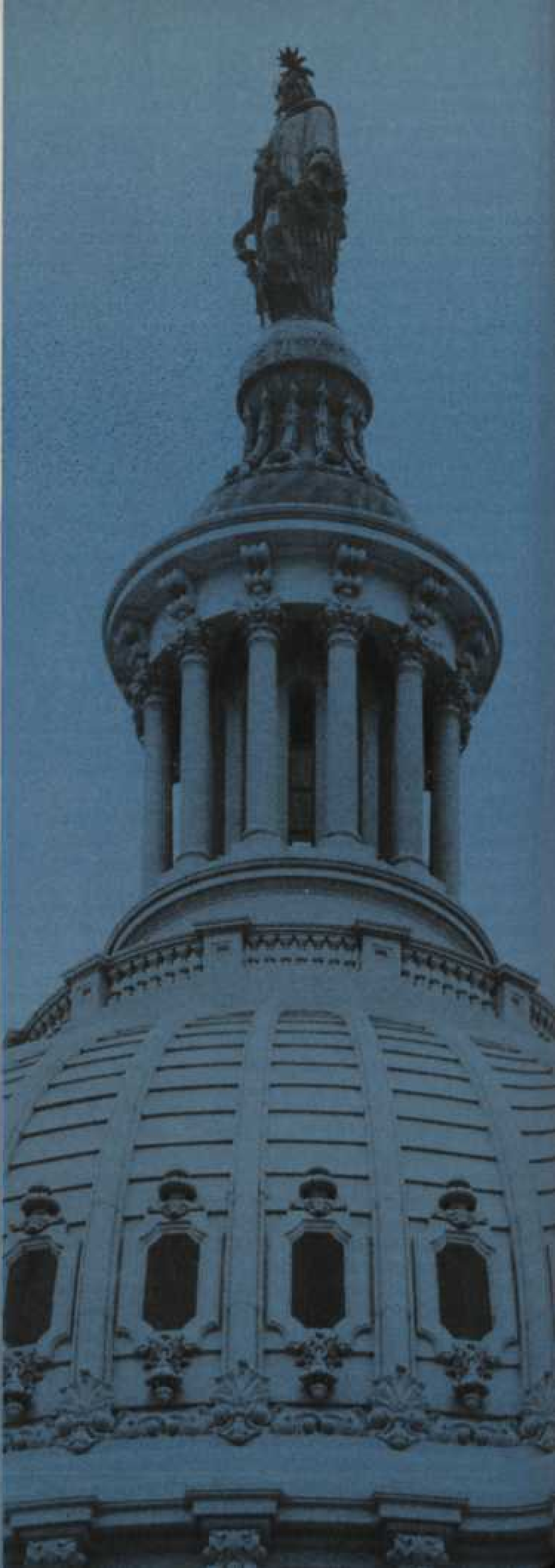
The old "disease of the East"—corruption—still infests the country. (The amount of corruption is nothing like as large as it was under Sukarno, nor is it a match for that found in such places as the Philippines.)

The birth rate is a great worry—43 babies each year for each 1,000 Indonesians; two and a half times the U. S. birth rate.

Suharto and his generals, and the American-trained economists, know all this and they worry about it.

A small birth control program is getting under way. And the Suharto people promise to make every effort to stop bribery and speed the handing over of the government into civilian, democratic hands.

Since they have kept their other promises, you can only take their word for this as well. END



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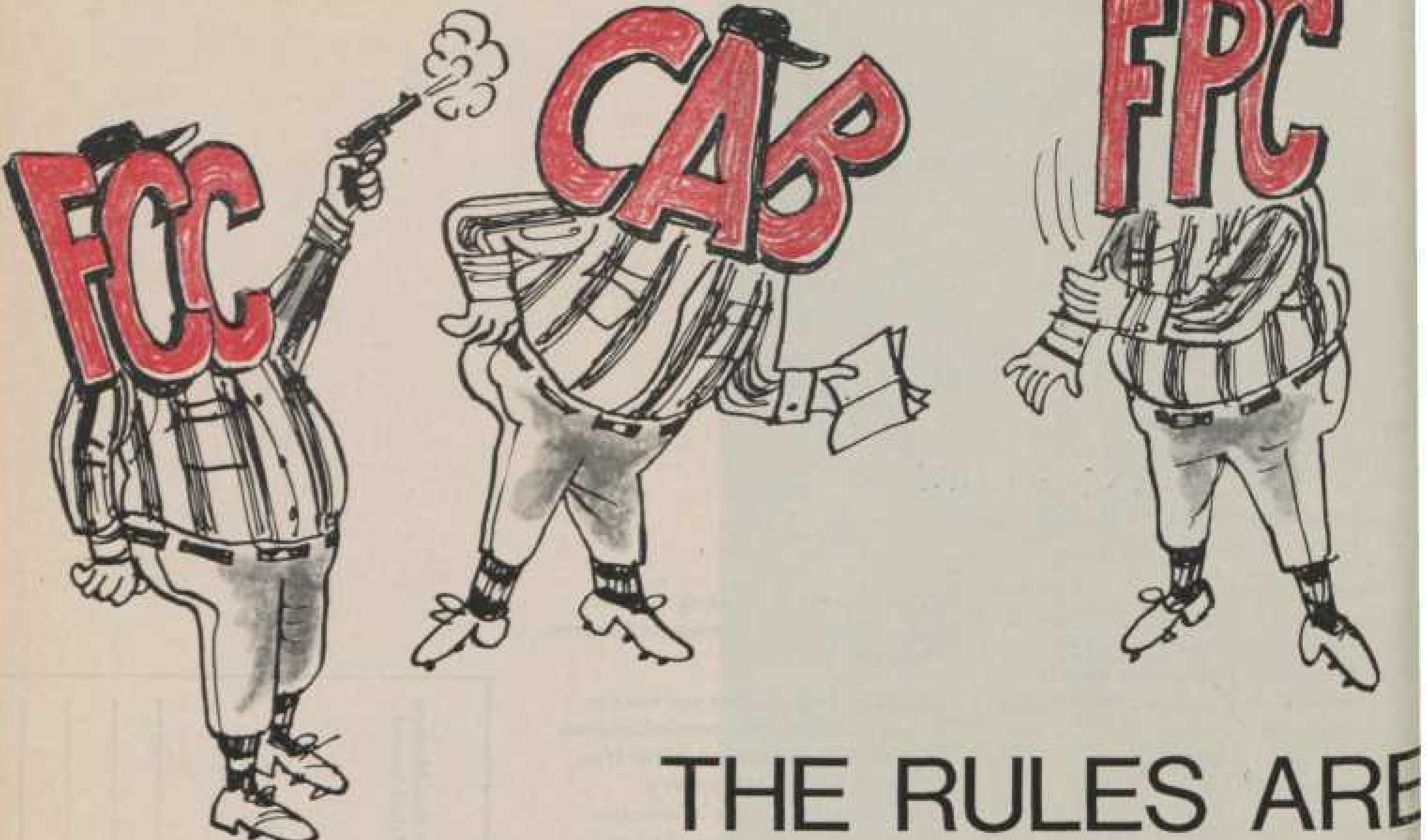

THE RULES ARE

What's up at federal agencies which regulate business

Six major government regulatory agencies will be making decisions in the coming months that will affect virtually every businessman, whether as a shipper of goods, as an advertiser, as a stockholder or simply as a traveler.

These independent commissions' dockets are loaded with momentous, controversial cases.

Consider such major ones as these:

• Civil Aeronautics Board: Higher airline fares.

• Federal Communications Commission: Rules for community antenna television (CATV); broadcast licensing; investigation of the economic structure of the American Telephone and Telegraph Co.

• Federal Power Commission: Higher natural gas rates and hydroelectric project relicensing.

• Federal Trade Commission: Prohibitions against mailings of unsolicited credit cards; new requirements on automobile pricing.

• Securities and Exchange Commission: Investigation of commission practices on major stock exchanges; the paperwork jam of securities dealers.

• Interstate Commerce Commission: Railroad mergers; railroad holding companies; new rules on shipment of household goods by truck.

And looming large are multi-agency probes of conglomerates.

The FCC, FTC, ICC and SEC have made major rulings on conglomerates, have proposed new rules or are in the midst of studies contemplating rules. The FTC has already initiated antitrust activities against some mergers and has ordered that major ones be reported to it in advance. The SEC has ordered financial reports by product line—a move prompted by the frequent complaint that conglomerates, in reporting consolidated earnings, hide the activities of merged subsidiaries.

An imponderable at this time is the effect—if any—of new appointments to these agencies by the Nixon Administration.

The agencies traditionally are composed of commissioners who vote their philosophies—not their parties.

And they are so constituted that neither party may have more than a bare majority. In two of these agencies, the FPC and SEC, the political lineup has already shifted from 3–2 Democrat to 3–2 Republican. In each case, a Democratic chairman resigned before his term as commissioner had expired.

The 3–2 Democratic majority at the Federal Trade Commission is due to end soon. And the chairman of the CAB, John H. Crooker Jr., a Democrat, has just stepped down.

President Nixon has recommended a reorganization of the ICC, with the chairmanship to have a fixed term, instead of being rotated among the commissioners annually. Another change the President reportedly would like to see at this agency is reduction of the

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STEPHEN M. AUG, *author of this article, specializes in reporting the activities of government regulatory agencies for the Washington Star.*

CHANGING

ot of things—and it pays you to keep an eye on them

ILLUSTRATIONS: RALPH ROBINSON

number of commissioners from 11 to seven. Unless there is a resignation, the first chance for the President to gain a Republican majority at the FCC will be June 30, 1970, with the expiration of the term of Kenneth A. Cox.

Obviously, it is important to businessmen to know what is happening and may happen at these agencies. Here, then, is a brief look at major issues under study at each.

Interstate Commerce Commission

Diversification, mergers and acquisitions are a prime concern at the ICC. For nearly a year now, it has been studying railroad holding companies and their possible effects on the way the railroads run.

While the ICC has so far declined to exercise jurisdiction over the holding companies, its study could trigger a different attitude.

The Commission is openly perturbed over invasions of the transport field.

"Of all the changes transpiring in the trucking industry," it says in a policy paper, "our greatest concern in terms of economic consequences is the trend toward purchase of motor transport companies by primarily investment holding companies, conglomerates or nontransportation firms."

In the area of mergers, the ICC is still plodding through a vast maze of railroad line consolidations which began with that between the Louisville & Nashville and the Nashville, Chattanooga & St. Louis in 1957.

Many of these proposals have been before the Commission for years and action can be expected. The import for the various sections of the country served is tremendous.

The railroad merger picture breaks down like this: In the East, there are destined to be two major systems. One, Penn Central and its affiliates, is already effective. The ICC is expected to approve soon creation of a system centered on the Norfolk & Western.

In the South, there are two large lines—Southern and Seaboard Coast Line, itself the product of a merger. Two other lines serving the South, Illinois Central and Gulf, Mobile & Ohio, want to merge.

The Western picture is complicated by a scrap over the Chicago, Rock Island & Pacific. Union Pacific and Chicago & North Western—the child of the Northwest Industries conglomerate—are the principal protagonists. But virtually every Western railroad is involved.

The merger of the Northern Lines—Great Northern; Northern Pacific; Chicago, Burlington & Quincy, and Spokane, Portland & Seattle—was approved two years ago, but the Justice Department has taken it to the Supreme Court, contending the combine eliminates a vast amount of competition. It is the first time the Justice Department has been the principal opponent in the Supreme Court to an ICC-approved rail merger.

Another Western merger that requires ICC completion is consolidation of C&NW and the Milwaukee Road. It has been before the ICC since 1966. An examiner has recom-

mended approval, but the case could run into complications because of the diversification activities of C&NW's parent, Northwest Industries.

Examiner Henry C. Darmstadter, in issuing his recommendation, urged the ICC to study railroad moves into diversification. It was the first time an ICC examiner had so proposed

The only other large merger pending is the less-controversial acquisition of the Monon by the Louisville & Nashville.

Another nagging issue at the ICC is that of passenger trains. The Commission has recommended that Congress launch a one-year study to determine just what, if any, are the nation's needs for rail passenger service, and to consider possible federal subsidies to support needed but unprofitable trains.

In the motor carrier area, the ICC is getting tougher with truckers who refuse to handle small shipments. The problem is especially severe in the furniture industry, where truckers contend bulky furniture is unprofitable to haul because it is relatively light for the amount of space it requires in the van.

Some truckers have tried to solve their problems with small shippers by embargoes, rate increases, packaging and tariff restrictions and other devices. One of the most serious problems has been an increasing tendency by interline motor carriers to cancel their through-route and joint-rate agreements with other motor carriers and to refuse to participate in new agreements. The result has been a sharp increase in shipper complaints.

The ICC has appealed to Congress—so far unsuccessfully—for authorization to require establishment of joint rates and through routes by truckers.

The Commission has filed—and won—several criminal prosecutions against firms which failed to provide adequate service to shippers or communities. It can be expected to increase this type of activity. It also can be expected to seek cease-and-desist court orders and it may institute proceedings to revoke truckers' certificates.

An area that has flooded the ICC with complaints involves shipment of household goods by truck. With industry cooperation, the Commission has proposed broad rule changes. One would ban estimating of the weight of shipments. Another would require accurate pickup and delivery dates.

Federal Communications Commission

The FCC continues to wrestle with its four-year-old investigation of the American Telephone & Telegraph Co.'s economic structure. More than two years ago it set a 7 to 7½ per cent range for rate of return on Bell System interstate earnings. At the time, Bell felt that was too low—AT&T had been seeking something in the 8 to 8½ per cent range. Now the Commission faces renewed AT&T requests for a higher rate of return—mainly so Bell can attract investment capital vitally needed for expansion to meet consumers' demands.

The Commission also is examining the relationship of Western Electric Co. to the Bell System to determine whether Western Electric's prices charged to Bell System companies are proper.

Cable television is another subject involved in lengthy proceedings. In one aspect, the FCC is considering the propriety of telephone companies owning such systems. (AT&T cannot, under a 1956 antitrust decree, but other companies face no such prohibition.)

Meanwhile, the FCC is pondering new rules which it says will permit CATV to grow, but at the same time protect local television stations against competition from mushrooming cable systems.

Under the rules, which cable owners contend are too restrictive, cable owners are limited on bringing in distant signals, depending on their own location. Of longer-range significance, the Commission is seeking to formulate answers to such problems as joint ownership of cable systems and other forms of communications; the nature of services that could be offered on high-capacity CATV cables; how to govern use of these cables, and who should regulate them. Already the Justice Department has urged the FCC to forbid newspapers and television broadcasters to own cable systems in their local areas.

In addition to its cable rule-making proceeding, the FCC has been investigating over-all ownership patterns of the broadcasting industry—and has laid special emphasis on ownership of stations by individuals or corporations with substantial nonbroadcasting interests.

Such investigations have taken a case-by-case approach in the past, with the most extensive recent one having dealt with the aborted merger of American Broadcasting Companies, Inc., into International Telephone and Telegraph Corp. two years ago.

In starting the over-all study last winter, the FCC noted the heightened interest in conglomerates generally. Specifically, it said it wants to determine the possible benefits and detriments of such ownership.

The Commission not only has moved into the conglomerate field and shown new activism in such other areas as proposals to ban tobacco advertising on television, but it also is holding hearings on license renewals of major TV stations in Minneapolis and San Francisco after charges of undue concentration of control of mass media.

And it has license renewal hearings scheduled on KNBC-TV, the Los Angeles station owned and operated by the National Broadcasting Co. Competing for this license is a group calling itself the Voice of Los Angeles, which contends NBC has done a poor job in operating the station.

Federal Trade Commission

The FTC has completed one study of business practices in metropolitan ghettos and can be expected to do more in this area. It has three other major proceedings under way. They involve:

- A proposed rule that would forbid mailing of unsolicited credit cards (banks, common carriers and airlines would be excepted). The FTC contends unsolicited credit cards frequently are lost in the mails and the individual who may never receive one—but whose name is on it—often is unfairly burdened with trying to defend himself when these cards are used by other persons. Further, it holds that firms which issue these cards and distribute them unsolicited through the mail may win an unfair competitive advantage over those which don't, because credit cards obviously increase sales.
- A proposed rule that would require

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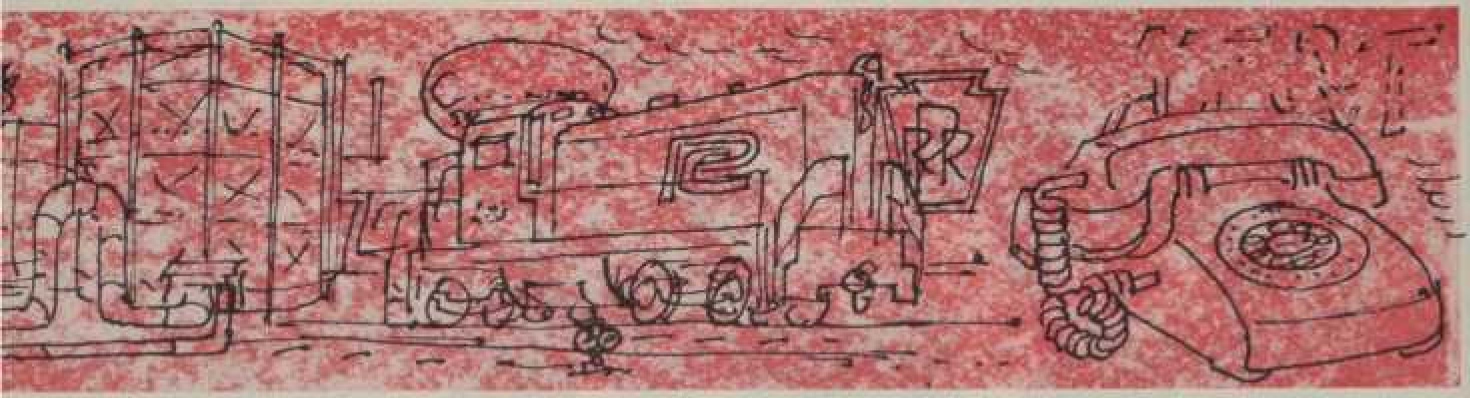

The Rules Are Changing *continued*

service stations to post octane ratings on gasoline pumps.

The Commission believes failure to fully identify gasoline being dispensed in terms of octane ratings may constitute a deceptive and unfair trade practice.

• A general investigation into auto pricing practices. The FTC believes that listed and advertised prices for new cars are misleading. For example, it says comparisons of prices of new cars and corresponding models of the previous year may mislead because they may not mention costs of standard versus optional equipment. The Commission also voices concern about auto advertisements in which prices do not reflect all the equipment shown on the car, or delivery charges.

Securities and Exchange Commission

The SEC's No. 1 continuing proceeding is that involving commission practices on major stock exchanges.

Much of the push in this case has come from the Justice Department's antitrust division, which wants an end to the fixed minimum commission on securities transactions in favor of a fee negotiated by the customer and his broker.

It also wants greater access to exchange floors by nonmembers, such as firms that are members of regional exchanges, and major institutional investors.

The New York and American stock exchanges contend that ending the fixed minimum commission would eliminate incentive for exchange membership, and that the exchanges as they are known today would disappear.

The result, they say, would be inability of investors to learn meaningful stock prices, because increasing numbers of trades would take place in brokerage offices.

Federal Power Commission

Last summer, the FPC authorized the highest rate of return ever for a utility under its jurisdiction—7¼ per cent for the Florida Gas Transmission Co. Similar decisions can be expected, especially in view of continuing high costs of borrowing money.

The gas companies—as are other utilities—are faced with financing huge additions to their systems if they are to supply the growing needs of an increasingly affluent population. At the same time, to build these facilities, they will have to pay more for money. The result is that the rates they charge consumers are bound to go up—and the rate of return will go along with them as an encouragement to investors.

The natural gas industry has at least one problem other utilities don't have. In 1968 for the first time the nation consumed more natural gas than it added to its reserves. As a result, the gas companies will have to finance increased exploration if more needed gas is to be found.

The Commission may find itself increasingly occupied with how to cope with the possibility of a natural gas shortage—it even may have to consider the end use of the gas when it decides cases calling for construction of new pipelines.

Shortly before he left the FPC last July, Chairman Lee C. White wrote that while it had not yet become necessary to ration gas, "I do not believe that the Commission can or should certificate each and every proposed use of gas without giving serious consideration to the appropriateness of that use in light of the gas supply situation."

One facet of FPC jurisdiction bound to get busier is licensing of hydroelectric power projects.

Between now and the end of 1974 the FPC will have to decide whether to relicense 69 projects, mostly in the West, ranging from a 90,000-watt facility in Oregon to the 292.3 million-watt Pacific Gas & Electric Co. installation at Shasta, Calif.

All were licensed under the Federal Water Power Act of 1920, which authorizes the FPC to grant a license for up to 50 years for construction and operation of a hydroelectric plant. At the end of 50 years the FPC can either relicense or recommend to Congress that the government buy it.

Civil Aeronautics Board

Secor D. Browne, a Republican who has been an assistant secretary of transportation, has been nominated to succeed CAB Chairman Crooker.

Members of the CAB will be spending much time trying to help the domestic airline industry recover from a financially disastrous first half of 1969.

Continuing fare increase proposals can be expected for several years as the airlines seek to combat inflationary erosion of profits, and to finance more than $12 billion worth of new large jets and support facilities. One has just been approved.

Some airlines already have taken the same route as a number of railroads have to increase earnings—formed holding companies to enable them to issue securities for use in acquiring nontransportation businesses.

A method of cutting costs has been to seek CAB approval to turn over to commuter airlines unprofitable routes serving smaller cities. And the CAB probably can expect more moves by the major carriers away from smaller communities in favor of the growing air taxi industry. END


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SOUND OFF

SHOULD WE HAVE A NATIONAL LOTTERY?

Spiraling taxes and surging crime, two major problems Americans face today, can be eased considerably if the United States would just adopt a national lottery, supporters of such a money-raising technique claim.

Gambling is indecent, unethical and corrupting, and government sanction of legalized gambling is totally un-American, argue opponents.

The idea of a national lottery is not new. It has been talked about more of late by some who feel it would be a good revenue producer for the government.

Proponents argue that Americans spend up to $50 billion yearly on illegal types of gambling and that most of this money finds its way to big-time underworld hoods who pay no taxes on it, but rather use it to bankroll other illicit activities.

They cite a Senate investigating committee report that the government would get an estimated $5 billion more in revenue if all gambling income were reported. And to show that a national lottery would be popular, they point to some $6 billion yearly put into lotteries in some 50 other countries by Americans.

Opponents scoff at this thinking. Aside from the moral values involved, they say, a national lottery wouldn't bring in anywhere near the revenue its advocates claim it would. They cite lotteries run by the states of New Hampshire and New York as prime examples of disappointing performance in revenue production.

They also claim that the very people the government wants to help most—the poor—would be hurt most by such a lottery because they probably would buy the most tickets, hoping to hit a lucky jackpot.

What do you think? Should we have a national lottery?

Jack Wooldridge, Editor
Nation's Business
1615 H Street N.W.
Washington, D.C. 20006

Should we have a national lottery? ☐ Yes ☐ No

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SOUND OFF RESPONSE

TAKING A DOWN-TO-EARTH APPROACH

Pictures of Neil Armstrong and Buzz Aldrin walking on the moon gave America a thrill the likes of which it has seldom known—but there now are a great many Americans who want to call off further space exploration until the earth itself is in better shape.

By a margin of about four to three, NATION'S BUSINESS readers say we should not send men to Mars in the immediate future.

"Should We Go to Mars?" was posed as the "Sound Off" issue for September, and here is a sampling of answers which poured in.

Let's look first at the "Don't Go Now" answers:

"We can't solve what problems we have on earth," wrote R. N. Morgan of D and W Sales and Services, Louisville, Ky. "Why seek out more trouble?"

First things should be first, said Schuyler Hopper of The Schuyler Hopper Co., of New York City. "Spend first to protect and fully develop our earthly resources, both human and physical, from depredation and pollution; then fully explore our resources beneath the earth, beneath the sea and in solar energy."

John Kusianovich, president, Energy Conversion Systems, Inc., Albuquerque, N. Mex., took an unselfish position when he wrote: "The U. S. should be proud of its space achievements and should now take time out to carefully plan its next moves. I think a Mars exploration should not be started yet, even though our company is in the aerospace business. Attention should be now given to solving pollution problems on our own planet. Then, we can visit other planets."

Scores of respondents emphasized the need to clean up pollution down here before going any further up there. Other needs said to be more pressing than planetary exploration included a reduction in taxes; improved health, education and transit facilities; cleaner cities; food for the hungry; fighting inflation with the money that would be spent getting to Mars; reduction in the federal debt.

Maxwell S. Porter, chairman of the executive committee of B. C. Porter and Sons, Inc., New Britain, Conn., said spending $24 billion getting to the moon proved nothing except that it could be done. He called for exploration of outer space to "a limited degree."

Arthur E. Kenyon, president, AVR Corp., Brimfield, Mass., wrote: "As for Mars, let the communists have it, let them keep the red planet. NASA should put all its talent and money to good use here on earth."

W. Bruce Stark, vice president, Stark Mobile Homes, Inc., Riverhead, N. Y., questioned the wisdom of planting a flag on a planet which has "air we cannot breathe when we have the same problem here."

Thomas L. Rosenow, president, Frantz Manufacturing Co., Sterling, Ill., argued that machines can tell if life exists on Mars. "If there is no life there it seems a waste of money and energy to send men to Mars just to collect rocks."

George D. Billings of the Tennant Co., Minneapolis, Minn., said he wants America to learn first about "what makes people tick as individuals, and en masse as nations." Furthermore, he said, future space explorations "should be a joint venture with the USSR because we will be sharing the universe with them for a long, long time."

James Carbine, sales manager, Industrial Patrol Service, Inc., Chicago, seemed to have something else in mind when he wrote, "If Vice President Agnew wants to go to Mars, he has my permission to do so."

These answers sum up much of the sentiment of those saying the United States should press on to the stars:

"Stay immobile too long and someone may bury you," wrote J. G. Hornbake, of A and H Supply Co., Phoenix, Ariz.

R. R. Mann, president of R & M Enterprises, Minneapolis, noted "how much trouble Columbus had getting three leaky boats. But where would this country and the world be if Isabella hadn't staked him?"

We should go to Mars "for the same reason that distant man built a fire and a wheel," wrote Sherman Breeden of the Breeden Dental Laboratory, Philadelphia, Pa.

Five reasons for going to Mars were given by L. C. Moody, resident vice president, State Automobile Mutual Insurance Co., Cincinnati, Ohio: "1, Indirectly helps the economy and poverty without being a giveaway. 2, Develops technology that is beneficial to business and the consumer. 3, Develops a sense of pride and patriotism in our country. 4, Promotes (or could promote) sense of cooperation between world powers. 5, Because Mars is there."

Robert B. Johnson of Johnson Research Associates, Goleta, Calif., wrote that "introverted societies are stagnant societies."

Many respondents who favor exploring Mars said it is God's will that we do so. Many others said that the money spent getting Americans to Mars would not be a drop in the bucket compared to what is needed to clean up the earth.

Congress at the Crossroads

Our legislators must get going, say the experts, on the more and more costly job of helping to get more and more people where they're going

A look down the nation's highways through the next decade shows them crowded with more than 130 million motor vehicles traveling 1.3 trillion miles a year, an increase of 33⅓ per cent in both vehicles and travel in just 10 years.

Above those roads will be more than a million passengers a day flying scheduled airliners which will share the skyways with nearly 220,000 private planes—a massive increase in air traffic that already is sorely congested.

Confronted by these statistics, which some experts say are conservative, Congress is fast approaching decisions that will shape highway, air and other transportation in the next decade and beyond.

Pressures are mounting for a verdict in the next year on the future of the existing program of federal aid to build interstate highways, as well as on a national highway program after completion of the interstate system, now scheduled for the mid-1970's.

While that may seem a long way off, federal and state highway officials constantly remind Congress that "it's later than you think."

They cite the tremendous lead time required from the start of an analysis of the need for a highway to the day it's opened to traffic.

The Department of Transportation's latest National Highway Needs Report puts it simply: ". . . The planning for future highway programs cannot await completion of the interstate system."

Sen. Jennings Randolph (D.-W. Va.), chairman of the Senate Public Works Committee and a key figure in setting the nation's highway policy, is among the strongest advocates of prompt action to chart a new one so it will be ready for the post-interstate era.

"It is imperative that we move ahead on planning," he says. "The basic decisions should be made within the next year." Meanwhile, Congress must deal with pressing financial problems facing the interstate program as a result of delays, inflation and mileage it added itself to the basic system.

A 1968 law raised mileage from 41,000 to 42,500. The completion date has slipped from the original 1969 to 1975 or 1976, and the cost has shot up from an estimated $27 billion to over $60 billion.

Another major challenge to Capitol Hill is that of developing an entirely new program for a vast expansion of federal aid to airports, and still another is determining whether the federal role in mass transit should be extended.

Also coming up: Decisions on the future of high-speed railroad passenger trains now being operated on a demonstration basis with federal help. The trains now run, at up to 120 miles an hour, in the "Northeast Corridor"—Washington-New York-Boston.

The Washington-New York run has proved highly popular and the 1970's might well see the speedy trains linking other cities.

Same sad story

Whatever problem in whatever transportation field it turns to, Congress is confronted with the inescapable fact that massive amounts of money are involved.

One estimate: Meeting all state highway needs through 1985 would cost more than $250 billion.

The pressure cooker expansion of air travel has piled up a backlog of needs for airways and airfield facilities estimated at $12.5 billion over the next decade. On top of that, scheduled airlines will spend another $22 billion on new planes, terminal improvements and various other changes.

Mass transit? No bargains here. A 75-mile rapid rail system under construction in the San Francisco Bay area carries a price tag of $1.3 billion.

To translate that catalog of needs into what's likely in the way of action, NATION'S BUSINESS sounded out transportation experts in government and industry. Among their assessments:

- Congress has no choice but to extend the highway trust fund beyond its presently-scheduled expiration date of Oct. 1, 1972. That means scrapping a plan to end or roll back the user taxes—on fuel, oil, tires and heavy vehicles—that have provided the money for the 90 per cent federal share of constructing the interstate system.
- The $18.2 billion now authorized for completion just won't be enough, and a $9 billion gap looms, even with the extended trust fund. Higher user tax rates appear inevitable.
- Congress will approve, possibly next year, a post-interstate program to continue federal aid with a single formula in the neighborhood of a 70 per cent federal contribution, with the states paying the balance. (It would replace the present dual system of 90-10 for interstate routes, a 50-50 split on other eligible state construction.)

Proposals for continuing the trust fund—or a similar form of assured financial support from specified sources—have such powerful support that there is every indication that the revenues now going into the fund will continue to be reserved, despite anguished cries of protest from Budget Bureau officials opposed in principle to earmarking revenues.

"I don't want to let that money get away," Sen. Randolph comments. "If we did, the whole road program would collapse."

And key members of the House Public Works Committee are equally strong for continuing the assured financing plan. "It is definitely needed to meet remaining highway needs," says Rep. John Kluczynski (D.-Ill.),

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chairman of the roads subcommittee.

He indicates he also would favor a new, single formula, possibly of 70-30 or 75-25.

When the interstate system as now designated is completed, Rep. Kluczynski says, attention should be given to new roads that will tie into and improve it.

The thrust of the "new" highway program will continue to be toward actual construction, with increased emphasis on urban areas' needs, the experts say.

States will retain responsibility for maintenance, including the substantial added cost of keeping up the heavily-traveled interstate links within their borders.

Ralph R. Bartelsmeyer, director of the Bureau of Public Roads, says state highway construction needs will continue to outrun available federal aid well into the future.

"If you take money away from construction to pay for maintenance, you haven't gained anything," he says. "If it's not additional, it's not going to do any good."

The American Association of State Highway Officials says, "The problem of accomplishing adequate maintenance on the new interstate system and similar high-volume freeways is a matter of growing concern." But it's not advocating federal money for maintenance.

Air outlook is cloudy

The effective working of the trust fund system for interstate construction has led to proposals it be adapted to air travel improvements and urban mass transit.

It's considered virtually certain that a "development fund" to be financed by user taxes will play a major role in efforts to eliminate congestion at airports and in the skies.

President Nixon has proposed such an approach and Congress appears willing to adopt some form of committed revenues. That plan would involve new or higher taxes on airline passengers, air freight and fuel used in general aviation.

While the principle of a development fund financed by user charges has broad endorsement in government and the air industry, wide disagreements remain to be resolved.

Congress had hoped that the scheduled airlines and the private plane operators' organizations, long-time antagonists, could agree on a single policy for financing and use of airports and airways.

While they are jointly sponsoring an airport improvement plan, they have not reached the over-all accord that would make it easier for Congress to pass measures to eliminate congestion without alienating either side.

But Capitol Hill sources now say Congressional patience is running out and "the factionalized field of aviation," as one key figure calls it, is going to have to agree on solutions or see final decisions made without regard to its wishes.

Rail rulings pending

Sen. Warren Magnuson (D.-Wash.), powerful chairman of both the Senate Commerce Committee and its aviation subcommittee, plans to get a bill through regardless of whether industry groups have reached agreement.

The decisions on extending the high-speed rail operations will depend on their prospects for becoming self-sustaining. There appears little doubt the Penn Central Railroad's "Metroliner" service between New York and Washington will become permanent after the federal subsidy of $11 million has been spent. On the average, 75 per

Congress at the Crossroads

continued

cent of seats are filled and many runs are sold out days and weeks in advance. Nearly 230,000 passengers made the high-speed trip—it cuts an hour off the time of most conventional trains—in the first 5½ months it was in service this year.

The Boston-New York operation is a little more uncertain. Running at an average 60 per cent of capacity, the trains haven't been able to realize their speed capability because of track conditions and the many grade crossings on what was the New Haven Railroad, now part of Penn Central.

Passengers on high-speed trains may pay for the speed directly through fares rather than taxes, and the user tax concept is a fairly straightforward one for highways and airways, but the revenue problem becomes murky when you start discussing mass transit. There are considerations of ability to pay, socioeconomics and politics. Because of the vast sums needed for construction, continuing capital outlay and maintenance, most rapid transit systems just can't pay their own way, the argument goes.

The San Francisco Bay area rapid transit system, for example, is financing construction costs chiefly with a property tax throughout the three counties it will serve.

Proposals have been advanced by some Congressmen for establishing an "urban transportation fund" as a source of mass transit financing.

But where the money would come from is problematical. Transportation Secretary John Volpe once suggested that the 7 per cent excise tax on new autos, now going to the general fund, be diverted to the urban transportation fund. President Nixon's mass transit plan, though, did not advocate a trust fund arrangement.

And those close to the issue say there is no realistic prospect that Congress, which has reluctantly continued the excise tax, would agree in any event to making it more or less permanent as a commitment to mass transit.

Nor is there any prospect for funding mass transit operations out of the highway fund, which Sen. Randolph and other Congressional backers of federal aid for roads plan to guard against inroads.

While the President has recommended direct appropriations for mass transit—$10 billion over the next 12 years—Congressional advocates of the trust fund approach are planning to press their cause on Capitol Hill.

Sen. Randolph sees political problems ahead for mass transit, regardless of what proposals reach the Senate floor.

"Only a few areas have this problem," he says, questioning how much support members of Congress would give, at a time of federal fiscal problems, to a program affecting only a relatively small part of the country.

But mass transit is a big issue in that small part. There and wherever you look, transportation problems are big and getting bigger. END

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EDITORIAL

SPIRIT FOR '76

With the 200th anniversary of our independence only a few years away, it's clear we've done pretty well despite all our problems. One of our biggest problems, of course, continues to be inflation. National Chamber President Jenkin Lloyd Jones warns that in 25 years our present dollar may buy only what a dime bought in 1913.

Fortunately, the government and businessmen alike are taking steps to prevent such a disaster.

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